Offering Memorandum **June 1, 2023**

ANZ Bank New Zealand Limited
(incorporated with limited liability in New Zealand)
as Issuer and Guarantor

ANZ New Zealand (Int'l) Limited
(incorporated with limited liability in New Zealand)
as Issuer

US$10,000,000,000
Senior Medium-Term Notes, Series A, of ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited

Due One Year or More from Date of Issue

And

Subordinated Medium-Term Notes, Series A, of ANZ Bank New Zealand Limited

Due Five Years or More from Date of Issue

ANZ Bank New Zealand Limited ("**ANZ Bank NZ**") and ANZ New Zealand (Int'l) Limited ("**ANZNIL**") (each, an "**Issuer**" and, together, the "**Issuers**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium-term notes, which may be issued as unsubordinated notes of ANZ Bank NZ (the "**ANZ NZ Notes**"), unsubordinated notes of ANZNIL (the "**ANZNIL Notes**" and, together with the ANZ NZ Notes, the "**Senior Notes**") or subordinated notes of ANZ Bank NZ (the "**Subordinated Notes**" and, together with the Senior Notes, the "**Notes**"). The payment of all amounts due in respect of any ANZNIL Notes will be unconditionally and irrevocably guaranteed by ANZ Bank NZ (the "**Guarantee**"). Other than as set forth in the preceding sentence, the Notes are not guaranteed by any person, including ANZ Bank NZ's ultimate parent ANZ Group Holdings Limited (ACN 659 510 791) ("**ANZGHL**" and together with its subsidiaries, the "**ANZ Group**").

The following terms may apply to the Notes:

- mature one year or more from the date of issue (in the case of the Senior Notes) or mature five years or more from the date of issue (in the case of the Subordinated Notes);
- may be unsubordinated indebtedness of the Issuer or subordinated indebtedness of ANZ Bank NZ (in the case of Subordinated Notes);
- may be subject to redemption at the Issuer's option (in the case of the Subordinated Notes, subject to the prior written approval of the Reserve Bank of New Zealand ("**RBNZ**")) or (in the case of Senior Notes) require repayment at the holder's option;
- a fixed interest rate, which may be zero in the case of Senior Notes if such Notes are issued at a discount from the principal amount due at maturity and may be reset if specified in the relevant Final Terms, or a floating interest rate, or both fixed and floating rate;
- floating interest rates may include:
  - Federal Funds Rate
  - SOFR
- book-entry only form; and
- minimum denomination of US$200,000, and integral multiples of US$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof.

The final terms of each Note will be specified in the relevant Final Terms (as defined herein). For more information, see "Description of the Notes and the Guarantee".

Investing in the Notes involves risks. See "Risk Factors" section on pages 12-34 of this Offering Memorandum.

Each initial and subsequent purchaser of the Notes offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Notes and may in certain circumstances be required to provide confirmation of compliance with such resale or other transfer restrictions below and as set forth under "Notice to Purchasers" and "Plan of Distribution".

The Notes and the Guarantee are being offered and sold without registration under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"): (A) to "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance upon the exemptions provided by Section 4(a)(2) of the Securities Act and Rule 144A promulgated thereunder and (B) outside the United States to certain persons in reliance upon Regulation S under the Securities Act ("**Regulation S**").

Prospective purchasers are hereby notified that the seller of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see "Notice to Purchasers" and "Plan of Distribution".

The Notes are not deposits of the Issuers and, except as expressly stated in this Offering Memorandum, are not insured or guaranteed by (1) the Crown or any governmental agency of New Zealand, (2) the United States of America, the Federal Deposit Insurance Corporation (the "**FDIC**") or any other governmental agency of the United States or (3) the government or any government agency of any other jurisdiction.

This Offering Memorandum supersedes and replaces in its entirety all previous offering memoranda relating to this program. This Offering Memorandum has been approved by the United Kingdom's Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**") as a base prospectus for the purposes of the UK Prospectus Regulation. The FCA only approves this Offering Memorandum as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuers, the Guarantor and the quality of the securities that are the subject of this Offering Memorandum. Investors should make their own assessment as to the suitability of investing in any such Notes.

Application has been made to the FCA in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "**FSMA**"), for Notes issued within the period of 12 months from the date of this Offering Memorandum to be admitted to the official list of the FCA (the "**Official List**") and an application will be made to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Main Market (the "**Main Market**"). In this Offering Memorandum, references to Notes being "**listed**" will mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange's Main Market. The Main Market of the London Stock Exchange is a UK regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**").

The Notes will be issued in registered, book-entry only form and will be eligible for clearance through the facilities of The Depository Trust Company ("**DTC**") and its participants, including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions which are applicable to a particular issuance of Notes (each, a "**Tranche**") will be set out in the relevant Final Terms relating to such Notes which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issuance of the Notes of such Tranche.

In the case of any Notes which are to be offered to the public in a Member State of the European Economic Area (the "**EEA**") (each, a "**Member State**") in circumstances which would otherwise require the publication of a prospectus under Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**"), or in the UK in circumstances which would otherwise require the publication of a prospectus under the **UK Prospectus Regulation**, the minimum denomination at the issue date shall be no less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The credit ratings referred to in this Offering Memorandum in respect of ANZ Bank NZ have been issued, and the credit ratings in respect of the Notes (when issued) will be issued, by one or more of S&P Global Ratings Australia Pty Ltd. ("S&P"), Moody's Investors Service Pty Limited ("Moody's"), and Fitch Australia Pty Ltd ("Fitch"). None of S&P, Moody's and Fitch is established in the UK nor registered under Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA and the regulations made by the EUWA (the "UK CRA Regulation") or established in the European Union ("EU") nor registered under Regulation (EC) No. 1060/2009 (as amended, the "EU CRA Regulation"). S&P Global Ratings UK Limited currently endorses the global scale credit ratings issued by S&P, Fitch Ratings Ltd currently endorses the international credit ratings published by Fitch and Moody's Investors Service Limited currently endorses global scale credit ratings issued by Moody's, for regulatory purposes in the UK in accordance with the UK CRA Regulation. Each of S&P Global Ratings UK Limited, Fitch Ratings Ltd and Moody's Investors Service Limited have been registered under the UK CRA Regulation and, as such are included in the list of credit rating agencies published by the FCA on its website, in accordance with the UK CRA Regulation. S&P Global Ratings Europe Limited currently endorses the global scale credit ratings issued by S&P, Fitch Ratings Ireland Limited currently endorses the international credit ratings published by Fitch and Moody's Deutschland GmbH currently endorses global scale credit ratings issued by Moody's, for regulatory purposes in the EU in accordance with the EU CRA Regulation. Each of S&P Global Ratings Europe Limited, Fitch Ratings Ireland Limited and Moody's Deutschland GmbH have been registered under the EU CRA Regulation and, as such are included in the list of registered credit rating agencies published by the European Securities and Markets Authority ("ESMA"). There can be no assurance that such endorsement of the credit ratings of S&P, Moody's and Fitch will continue.

The credit rating of any Notes may be specified in the applicable Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, regulated investors in the UK are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Arranger and Lead Agent

J.P. Morgan

Agents

ANZ Securities	**Deutsche Bank Securities**	**RBC Capital Markets**
Barclays	**Goldman Sachs & Co. LLC**	**TD Securities**
BofA Securities	**HSBC**	**Wells Fargo Securities**
Citigroup	**Morgan Stanley**	

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NOTICE TO PURCHASERS

NEITHER THE NOTES NOR THE GUARANTEE OFFERED HEREBY HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AUTHORITY. NEITHER THE SEC NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES AND THE GUARANTEE ARE BEING OFFERED AND SOLD TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF AND IN RELIANCE UPON THE EXEMPTIONS PROVIDED BY SECTION 4(a)(2) OF THE SECURITIES ACT AND RULE 144A PROMULGATED THEREUNDER, AND OUTSIDE THE UNITED STATES TO CERTAIN PERSONS IN RELIANCE ON REGULATION S.

Each initial and subsequent purchaser of a Note or Notes will be deemed to have acknowledged, represented and agreed as follows:

(1) The Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable securities law and, accordingly, neither the Notes nor the Guarantee may be offered, sold, transferred, pledged, encumbered or otherwise disposed of unless in a transaction exempt from, or not subject to, the registration requirements under the Securities Act and any other applicable securities law.

(2) (A) It is a QIB, and is purchasing for its own account or solely for the account of one or more QIBs for which it acts as a fiduciary or agent, and such purchaser acknowledges that it is aware that the seller may rely upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder or (B) it is a purchaser acquiring such Notes in an offshore transaction (within the meaning of Regulation S) occurring outside the United States that is not a "U.S. person" (and is not acquiring such Notes for the account or benefit of a U.S. person) within the meaning of Regulation S.

(3) It agrees on its own behalf and on behalf of any account for which it is purchasing Notes, to offer, sell or otherwise transfer such Notes (A) only in minimum principal amounts of US$200,000 or such larger principal amounts as shall be specified in the relevant Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency) and (B) prior to the date that is one year after the later of (i) the issue date of such Notes and (ii) the last date on which the Issuer thereof or any affiliate of the Issuer was the beneficial owner of such Notes (or any predecessor of such Notes) only (a) pursuant to the exemption from the registration requirements of the Securities Act provided by either Rule 144A or Regulation S, (b) to the Issuer, ANZ Bank NZ (in the case of ANZNIL Notes) or any of their respective subsidiaries or an Agent that is a party to the Second Amended and Restated Distribution Agreement, dated as of December 3, 2021, as amended by Amendment No. 1 to the Second Amended and Restated Distribution Agreement, dated as of May 26, 2022, and Amendment No. 2 to the Second Amended and Restated Distribution Agreement, dated as of June 1, 2023, among ANZ Bank NZ, ANZNIL and the Agents named therein (as further amended from time to time, the "**Distribution Agreement**") or (c) pursuant to an exemption from such registration requirements as confirmed in an opinion of counsel satisfactory to such Issuer and ANZ Bank NZ (in the case of ANZNIL Notes). It acknowledges that each Note will contain a legend substantially to the effect of the foregoing paragraph (1) and this paragraph (3).

(4) It acknowledges that the Fiscal Agent referred to herein will register the transfer of any Note resold or otherwise transferred by such purchaser pursuant to clause (c) of the foregoing paragraph (3) only upon receipt of an opinion of counsel satisfactory to the Issuer and ANZ Bank NZ (in the case of ANZNIL Notes).

(5) It acknowledges that the Issuers, the Agents (as defined below) and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and it agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it in connection with its purchase of Notes are no longer accurate, it shall promptly notify the Issuer of such Notes, ANZ Bank NZ (in the case of ANZNIL Notes) and the Agent through which it purchased any Notes. If it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(6) Either (a) it is not a pension, profit-sharing or other employee benefit plan that is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or any similar provision of applicable federal, state, local, foreign or other law, and it is not purchasing the Notes on behalf of or with the assets of any such plan or (b) its purchase and holding of the Notes, or exercise of any right thereunder, will not result in a non-exempt prohibited transaction for purposes of ERISA, the Code or, where applicable, any such similar law.

(7) **PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (A) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (B) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as amended (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

(8) **PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

(9) As to the matters described under "Description of the Notes and the Guarantee", including without limitation, the matters described under "Description of the Notes and the Guarantee—Status and Subordination of Subordinated Notes".

MiFID II product governance / target market – The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the conclusion of the target market assessment completed by the relevant "manufacturer(s)" in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made by the relevant Agent(s) in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID II Product Governance Rules**"), any Agent subscribing for any Notes is a "manufacturer" in respect of such Notes, but otherwise neither the Arranger nor the Agents nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

Neither Issuer is subject to MiFID II and any implementation thereof by a Member State. Neither Issuer is therefore a "manufacturer" for the purposes of the MiFID II Product Governance Rules nor has any responsibility or liability for identifying a target market, or any other product governance obligation set out in MiFID II, for financial instruments it issues (including any target market assessment for the relevant Notes).

UK MiFIR Product Governance / target market – The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the conclusion of the target market assessment completed by the relevant "manufacturer(s)" in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor subsequently offering, selling or recommending the Notes should take into consideration the target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made by the relevant Agent(s) in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Agent subscribing for any Notes is a "manufacturer" in respect of such Notes, but otherwise neither the Arranger nor the Agents nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Neither Issuer is subject to the UK MiFIR Product Governance Rules. Neither Issuer is therefore a "manufacturer" for the purposes of the UK MiFIR Product Governance Rules nor has any responsibility or liability for identifying a target market, or any other product governance obligation set out in UK MiFIR Product Governance Rules, for financial instruments it issues (including any target market assessment for the relevant Notes).

UK Benchmarks Regulation: Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (*Register of administrators and benchmarks*) of the UK Benchmarks Regulation (the "**UK Register**"). Not every reference rate will fall within the scope of the UK Benchmarks Regulation. Transitional provisions in Article 51 of the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not currently required to appear in the UK Register at the date of the applicable Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuers do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

EU Benchmarks Regulation: Any such reference rate may also constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the "**EU Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the EU Benchmarks Regulation (the "**ESMA Register**"). Not every reference rate will fall within the scope of the EU Benchmarks Regulation. Transitional provisions in Article 51 of the EU Benchmarks Regulation may have the result that the administrator of a particular benchmark is not currently required to appear in the ESMA Register at the date of the applicable Final Terms. The registration status of any administrator under the EU Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuers do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Notification under Section 309B(1) of the Securities and Futures Act 2001 (the "SFA"): Unless otherwise stated in the Final Terms, the Issuer has determined and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes issued or to be issued under this program shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from the Issuers and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein, (ii) it has not relied on any Agent or any person affiliated with any Agent in connection with its investigation of the accuracy and completeness of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning either Issuer, ANZ Bank NZ (in the case of ANZNIL Notes) or the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by such Issuer, ANZ Bank NZ (in the case of ANZNIL Notes) or any Agent.

This Offering Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where such action is required.

The Notes are subject to restrictions on transferability and resale. Investors may not transfer or resell the Notes except as described in this Offering Memorandum and as permitted under the Securities Act and other applicable securities laws. Investors may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Offering Memorandum and to the best of the knowledge of each of the Issuers and the Guarantor, the information contained in this Offering Memorandum is in accordance with the facts and this Offering Memorandum makes no omission likely to affect its import.

This Offering Memorandum should, in relation to each Tranche, be read and construed together with the relevant Final Terms.

In connection with the issue of any Tranche, the Agent or Agents (if any) named as the stabilizing manager(s) (or persons acting on behalf of any stabilizing managers) in the relevant Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant stabilizing manager(s) (or person(s) acting on behalf of the stabilizing manager(s)) outside New Zealand (and not on any market in New Zealand) and in accordance with all applicable laws and rules.

No Australian retail product distribution conduct: This Offering Memorandum and the Notes are not for distribution to any person in Australia who is a retail client for the purposes of section 761G of the Corporations Act 2001 of Australia (the "**Corporations Act**"). No target market determination has been or will be made for the purposes of Part 7.8A of the Corporations Act.

The Notes do not represent deposits or other liabilities of Australian and New Zealand Banking Group Limited ("**ANZBGL**") or ANZGHL. The Issuers are not authorized deposit-taking institutions under the Banking Act 1959 of Australia ("**Australian Banking Act**") and are not supervised by APRA. The depositor protection provisions in Division 2 of Part II of the Australian Banking Act do not apply to the Issuers. The Notes are not "protected accounts" or "deposit liabilities" within the meaning of the Australian Banking Act and an investment in the Notes is not covered by the Australian Government's Financial Claims Scheme, is not guaranteed by ANZBGL or ANZGHL and is subject to risks affecting the relevant Issuer, including the risk that the relevant Issuer does not make payments of interest or principal when due in respect of the Notes. Notes that are offered for issue or sale or transferred in, or into, Australia are offered only in circumstances that would not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act and in compliance with the terms of Banking Exemption No. 1 of 2018. Such Notes are issued or transferred in, or into, Australia in parcels of not less than A$500,000 in aggregate principal amount.

All references to websites in this Offering Memorandum, any Final Terms or any amendment or supplement hereto or thereto are, unless expressly stated otherwise, intended to be inactive textual references for information only and any information contained in or accessible through any such website does not form a part of this Offering Memorandum.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities And Futures Commission (the "SFC Code") – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to the program (each such offering, a "**CMI Offering**"), including certain Agents, may be "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the SFC Code. This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Agent(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuers, Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuers, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuers, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuers to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Final Terms or otherwise notified to prospective investors.

If a prospective investor is an asset management arm affiliated with any relevant Agent, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Agent or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." If a prospective investor is otherwise affiliated with any relevant Agent, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Agent when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Agents and/or any other third parties as may be required by the SFC Code, including to the Issuers, the Guarantor, OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

AVAILABLE INFORMATION

Each prospective purchaser of the Notes is hereby offered the opportunity to ask questions of the Issuers concerning the terms and conditions of the offering.

The disclosure statements of the ANZ Bank NZ Group for the financial year ended September 30, 2022 (the "**2022 Disclosure Statement**") and the financial year ended September 30, 2021 (the "**2021 Disclosure Statement**"), which contain the audited consolidated financial statements of the ANZ Bank NZ Group as at and for the financial years ended September 30, 2022 (the "**2022 ANZ Bank NZ Financial Statements**"), 2021 (the "**2021 ANZ Bank NZ Financial Statements**") and 2020 (collectively, the "**ANZ Bank NZ Audited Financial Statements**"), and the disclosure statement of the ANZ Bank NZ Group for the six months ended March 31, 2023 (the "**Half Year Disclosure Statement**" and, together with the 2022 Disclosure Statement and the 2021 Disclosure Statement, the "**Disclosure Statements**"), which contains the condensed consolidated unaudited financial statements of the ANZ Bank NZ Group as at and for the six months ended March 31, 2023 (the "**ANZ Bank NZ Unaudited Financial Statements**" and, together with the ANZ Bank NZ Audited Financial Statements, the "**ANZ Bank NZ Financial Statements**"), are attached to this Offering Memorandum as Annex A. Information in each Disclosure Statement is superseded by information contained in each subsequent Disclosure Statement, and the information in each of the Disclosure Statements is superseded by information contained in this Offering Memorandum, including any amendment hereof or supplement hereto, in each case to the extent there are any inconsistencies.

The audited financial statements of ANZNIL as at and for the financial years ended September 30, 2022 and 2021 (the "**ANZNIL Audited Financial Statements**") and the unaudited financial statements of ANZNIL for the six months ended March 31, 2023 (the "**ANZNIL Unaudited Financial Statements**" and, together with the ANZNIL Audited Financial Statements, the "**ANZNIL Financial Statements**") are attached to this Offering Memorandum as Annex A.

While any Notes remain outstanding, the relevant Issuer will, during any period in which ANZ Bank NZ is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any QIB who holds any Note and any prospective purchaser of a Note who is a QIB designated by the holder of such Note, upon the request of such holder or prospective purchaser, the information concerning ANZ Bank NZ required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

If at any time the Issuers shall be required to prepare a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, the Issuers will prepare and make available a supplement to this Offering Memorandum or a further Offering Memorandum which, in the case of a supplement in respect of any subsequent issue of Notes to be admitted to the Official List of the FCA, will constitute a supplementary prospectus as required by the FCA and Article 23 of the UK Prospectus Regulation.

The Issuers will provide, without charge, to each person to whom a copy of this Offering Memorandum has been delivered, upon the request of such person, a copy of the Fiscal Agency Agreement (as defined herein). Written requests should be addressed to ANZ Bank New Zealand Limited, Level 10, P.O. Box 540, 171 Featherston Street, Wellington, 6011, New Zealand, Attention: The Treasurer. In addition, the Fiscal Agency Agreement will be available free of charge from the principal office in London of The Bank of New York Mellon in its capacity as paying agent for the Notes listed on the London Stock Exchange.

CERTAIN DEFINED TERMS

In this Offering Memorandum, unless the context otherwise requires:

- references to "**ADI**" are to an authorized deposit-taking institution;
- references to "**ANZ**" are to the ANZ Bank NZ Group's ANZ brand;
- references to "**ANZ Bank NZ**", the "**Bank**" or the "**Guarantor**" are to ANZ Bank New Zealand Limited or, prior to October 29, 2012, but after June 28, 2004, ANZ National Bank Limited, and prior to June 28, 2004, ANZ Banking Group (New Zealand) Limited;
- references to the "**ANZ Bank NZ Group**" are to ANZ Bank NZ and its consolidated subsidiaries (including, among others, ANZNIL);
- references to "**ANZBGL**" are to Australia and New Zealand Banking Group Limited;
- references to "**ANZBGL Group**" are to ANZBGL together with its consolidated subsidiaries (including, among others, ANZ Bank NZ and ANZNIL);
- references to "**ANZGHL**" are to ANZ Group Holdings Limited (ACN 659 510 791), the ANZ Bank NZ Group's ultimate parent;
- references to "**ANZ Group**" are to ANZGHL together with its consolidated subsidiaries (including, among others, ANZ Bank NZ and ANZNIL);
- references to "**ANZNIL**" are to ANZ New Zealand (Int'l) Limited, formerly ANZ National (Int'l) Limited and NBNZ International Limited;
- references to "**ANZNZ Covered Bond Trust**" are to the trust that holds a cover pool of assets that investors in covered bonds issued by ANZ Bank NZ or ANZNIL have full recourse against;
- references to "**APRA**" are to the Australian Prudential Regulation Authority;
- references to "**BPS Act**" are to the Banking (Prudential Supervision) Act 1989;
- references to "**Companies Act**" are to the New Zealand Companies Act 1993;
- references to "**Final Terms**" are to a supplement hereto, which shall be substantially in the form attached hereto as Annex B, describing the specific terms of a particular Tranche of Notes;
- references to the "**Fiscal Agency Agreement**" are to the amended and restated fiscal agency agreement, dated as at December 3, 2021, as amended from time to time, among ANZ Bank NZ, ANZNIL and The Bank of New York Mellon, as Fiscal Agent;
- references to "**holder**" are to a registered holder of Notes, as described under "Description of the Notes and the Guarantee";
- references to the "**IRD**" are to the New Zealand Inland Revenue Department;
- references to "**legislation**" include any amendments, re-enactments or replacement of legislation;
- references to "**LVR**" are to loan-to-value ratio;
- references to the "**New Zealand branch of ANZBGL**" and the "**New Zealand branch**" are to the New Zealand branch established by ANZBGL that was registered on January 5, 2009;
- references to the "**Noon Buying Rate**" are to the noon buying rate in New York City for cable transfers in New Zealand dollars as certified for customs purposes by the Federal Reserve Bank of New York;
- references to "**Obligor**" are to any of the Issuers or the Guarantor;
- references to "**OECD**" are to the Organization for Economic Co-operation and Development;
- references to this "**Offering Memorandum**" are to this offering memorandum, the annexes hereto and any supplement hereto;
- references to "**RBNZ**" are to the Reserve Bank of New Zealand;
- references to "**Reserve Bank Act**" are to the Reserve Bank of New Zealand Act 1989 (which has now been named the BPS Act);
- references to "**RMBS**" are to residential mortgage backed securities;
- references to "**six months ended March 31, 2023**" or "**March 2023 half year**" mean the ANZ Bank NZ Group's financial half year ended March 31, 2023, and similar references have a comparable meaning;
- references to "**$**", "**New Zealand dollars**", "**NZ$**", "**NZD**" or "**NZ dollars**" are to the lawful currency of New Zealand;
- references to "**A$**" are to the lawful currency of Australia;
- references to "**€**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the EU as amended from time to time; and
- references to "**US$**" or "**U.S. dollars**" are to the lawful currency of the United States.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum may contain various forward-looking statements or opinions, including statements and opinions regarding the ANZ Bank NZ Group's intent, belief or current expectations with respect to ANZ Bank NZ or the ANZ Bank NZ Group's business operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions, management practices, and transactions that ANZ Bank NZ Group or its affiliates are undertaking or may undertake. Those matters are subject to risks and uncertainties that could cause the actual results and financial position of ANZ Bank NZ or the ANZ Bank NZ Group to differ materially from the information presented herein. When used in this Offering Memorandum, the words "forecast", "estimate", "project", "intend", "anticipate", "believe", "expect", "may", "probability", "risk", "will", "seek", "would", "could", "should" and similar expressions, as they relate to ANZ Bank NZ or the ANZ Bank NZ Group and its management, are intended to identify such forward-looking statements or opinions. Those statements and opinions: may be predictive in character; or may be affected by inaccurate assumptions or unknown risks and uncertainties; or may differ materially from results ultimately achieved. As such, those statements and opinions should not be relied upon when making investment decisions. There can be no assurance that actual outcomes will not differ materially from any forward-looking statements or opinions contained herein. See the risks detailed in this Offering Memorandum under "Risk Factors Summary", "Risk Factors" and elsewhere herein.

Such statements and opinions constitute "forward-looking statements" for the purposes of the U.S. Private Securities Litigation Reform Act of 1995. Any forward-looking statements or opinions made in this Offering Memorandum speak only as of the date on which such statements are made in this Offering Memorandum. The ANZ Bank NZ Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RISK FACTORS SUMMARY

Risks that we deem material to our business are summarized below and described under "Risk Factors" in this Offering Memorandum. These risks include, but are not limited to, the following, which have affected and in the future may materially and adversely affect the ANZ Bank NZ Group's business and operations:

- changes in political, general business, financial and economic conditions, including disruption in regional or global credit and capital markets;
- competition in the markets in which the ANZ Bank NZ Group operates;
- changes in the real estate market in New Zealand;
- the COVID-19 pandemic ("**COVID-19**") and future outbreaks of other communicable diseases or pandemics;
- sovereign risk events that may destabilize global financial markets;
- market risk events;
- the restructure of the ANZ Group (the "**Restructure**") that established a non-operating holding company ("**NOHC**");
- changes in exchange rates;
- the ongoing discontinuation of the London Interbank Offered Rate ("**LIBOR**") and developments affecting other benchmark rates;
- our ability to complete, integrate or separate and process acquisitions and divestments;
- credit risk;
- challenges in managing the ANZ Bank NZ Group's capital base;
- changes to the ANZ Bank NZ Group's credit ratings;
- liquidity and funding risk events;
- changes in the valuation of some of the ANZ Bank NZ Group's assets and liabilities;
- changes to the ANZ Bank NZ Group's accounting policies;
- general creditors of ANZ Bank NZ, including holders of Notes issued by ANZNIL or ANZ Bank NZ, not having direct recourse to the assets of the ANZNZ Covered Bond Trust;
- regulatory changes or a failure to comply with laws, regulations or policies;
- litigation and contingent liabilities;
- significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions;
- changes in monetary policies;
- the impact of ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information (**"AEoI"**) obligations imposed by global customer tax transparency regimes;
- operational risk events, including internal and external fraud, employment practices and workplace safety, and business disruption (including systems failures);
- human capital risk relating to the inability to attract, develop, motivate and retain the ANZ Bank NZ Group's people to meet current and future business needs;
- reputational risk events, including as a result of operational failures and regulatory compliance failures;
- contagion and reputational risk events by virtue of its association with other members of the ANZ Group;
- conduct risk events;
- disruption of information technology systems or failure to successfully implement new technology systems;
- risks associated with our information security, including from cyber-attacks;
- risks associated with data management;
- risks associated with the models that the ANZ Bank NZ Group relies on for material business decisions;
- the impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events;
- the effectiveness of the ANZ Bank NZ Group's risk management framework;
- risks associated with lending to customers that could be directly or indirectly impacted by climate risk; and
- various other factors beyond the ANZ Bank NZ Group's control.

ENFORCEMENT OF LIABILITIES; SERVICE OF PROCESS

ANZ Bank NZ and ANZNIL are each registered under the Companies Act, incorporated in New Zealand and have limited liability. The directors and officers of ANZ Bank NZ and ANZNIL and certain of the experts named herein reside outside the United States. In addition, a substantial portion of the assets of the ANZ Bank NZ Group are, and those of its directors, officers and experts may be, located outside of the United States. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon ANZ Bank NZ or ANZNIL or any of those persons or to enforce against ANZ Bank NZ or ANZNIL or any of those persons, outside of the United States, judgments obtained in U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws. ANZ Bank NZ and ANZNIL have expressly submitted to the jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York for the purpose of any suit, action or proceeding arising out of the offering of Notes. There is doubt as to the enforceability in New Zealand of original actions or actions for enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States.

Part A– Offering Information

1. OVERVIEW OF TERMS

The Issuers	ANZ Bank NZ (in the case of Senior Notes or Subordinated Notes) and ANZNIL (in the case of Senior Notes only).
ANZ Bank NZ Legal Entity Identifier ("LEI")	HZSN7FQBPO5IEWYIGC72
ANZNIL LEI	213800VD256NU2D97H12
The Guarantor	ANZ Bank NZ in the case of ANZNIL Notes.
The Agents	J.P. Morgan Securities LLC ANZ Securities, Inc. Barclays Capital Inc. BofA Securities, Inc. Citigroup Global Markets Inc. Deutsche Bank Securities Inc. Goldman Sachs & Co. LLC HSBC Securities (USA) Inc. Morgan Stanley & Co. LLC RBC Capital Markets, LLC TD Securities (USA) LLC Wells Fargo Securities, LLC Any other agents appointed in accordance with the terms of the Distribution Agreement.
Terms of the Notes and Guarantee	The Notes, which may be issued at their principal amount or (for Senior Notes only) at a premium to or discount from their principal amount, on an unsubordinated or subordinated basis, may bear interest at a fixed or floating rate or (for Senior Notes only) be issued on a fully discounted basis and not bear interest. The interest rate, or interest rate reset or formula, if any, issue price, currency, terms of redemption or repayment, if any, and stated maturity will be established for each Note by the Issuer thereof at the issuance of such Note and will be indicated in the applicable Final Terms. The ANZNIL Notes issued by ANZNIL will be unconditionally and irrevocably guaranteed by ANZ Bank NZ as described under "Description of the Notes and the Guarantee".
Method of Distribution	The Notes are being offered from time to time by the Issuer through the Agents. The Issuers may also sell Notes to the Agents acting as principals for resale to QIBs and outside the United States to individuals that are not U.S. persons (as defined in Regulation S) and may sell Notes directly on their own behalf. See "Notice to Purchasers" and "Plan of Distribution".
Maximum Amount	The aggregate principal amount (or, in the case of Senior Notes issued at a discount from the principal amount, the aggregate initial offering price) of Notes outstanding at any time shall not exceed US$10,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes. The Issuers may increase this amount from time to time in accordance with the terms of the Distribution Agreement.
Status of the Notes	The Notes may be issued as ANZ NZ Notes, ANZNIL Notes or Subordinated Notes, as indicated in the relevant Final Terms.
Status of the Senior Notes	The Senior Notes will be direct, unsecured, unsubordinated and general obligations of the relevant Issuer and will rank equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer (other than any obligation preferred by mandatory provisions of applicable law).
Status of the Guarantee	The Guarantee of ANZ Bank NZ with respect to the Senior Notes issued by ANZNIL will be a direct, unsecured, unsubordinated and general obligation of ANZ Bank NZ and will rank equally with all other present and future unsecured and unsubordinated obligations of ANZ Bank NZ (other than any obligation preferred by mandatory provisions of applicable law).

Status of the Subordinated Notes	Subordinated Notes may be issued under this program by ANZ Bank NZ only. The Subordinated Notes will be direct, unsecured, subordinated and general obligations of ANZ Bank NZ ranking equally among themselves. The claims of holders of Subordinated Notes will, in the event of the Liquidation of ANZ Bank NZ (as defined in "Description of the Notes and the Guarantee"), be subordinated in right of payment to all Senior Creditors (as defined in "Description of the Notes and the Guarantee—Status and Subordination of Subordinated Notes") of ANZ Bank NZ as described in "Description of the Notes and the Guarantee—Status and Subordination of Subordinated Notes". At any time before the stated maturity of a Subordinated Note or the Liquidation of ANZ Bank NZ: (i) payment by ANZ Bank NZ of interest, principal or any other amount owing to a Subordinated Noteholder (as defined in "Description of the Notes and the Guarantee") in connection with a Subordinated Note is conditional upon ANZ Bank NZ being Solvent (as defined in "Description of the Notes and the Guarantee") at the time the payment is due; and (ii) ANZ Bank NZ must not pay any amount to a Subordinated Noteholder in connection with a Subordinated Note except to the extent that ANZ Bank NZ may pay the amount and still be Solvent immediately after paying such amount, and if, pursuant to the foregoing solvency conditions (the "**Solvency Conditions**"), ANZ Bank NZ fails to make any payment of principal, or interest, or any other amount (including additional amounts) (as defined in "Description of the Notes and the Guarantee—Payment of additional amounts") in respect of any Subordinated Note when due, such failure will not constitute an event of default under those Subordinated Notes (as further described in "Description of the Notes and the Guarantee—Default, remedies and waiver of default—Events of Default – Subordinated Notes"). The Solvency Conditions do not apply to payments in connection with a Subordinated Note on the stated maturity of such Subordinated Note. Any amount not paid due to the Solvency Conditions not being satisfied accumulates and remains a debt owing to the Subordinated Noteholder by ANZ Bank NZ until it is paid and will be due and payable by ANZ Bank NZ on the earlier of (a) the first business day on which these Solvency Conditions are satisfied (whether or not such date is otherwise a payment date) and (b) the stated maturity. If for any reason any principal amount has not been paid in full on the stated maturity, interest will continue to accrue (after as well as before any demand judgment) on the unpaid principal amount at the applicable rate of interest to the date on which payment in full of such principal amount is made. If for any reason (including because of a failure to satisfy the Solvency Conditions) interest on a Subordinated Note has not been paid in full when due, then the unpaid amount of such interest will earn interest at the applicable rate of interest that applies to the Subordinated Notes, accruing daily, to but excluding the date on which payment in full of such unpaid interest is made.
No conversion or write-off of Subordinated Notes..	The terms of the Subordinated Notes do not include any conversion or write-off features.
Maturities	Such maturities as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the applicable Final Terms as the Stated Maturity), subject to such minimum or maximum term as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency (as defined herein). At the date of this Offering Memorandum, the minimum term of Senior Notes is one year and the minimum term of Subordinated Notes is five years. There is no maximum stated term.
Currency	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the applicable Final Terms). See "Description of the Notes and the Guarantee—Currency of Notes".

Denomination and Form..................................	The Notes will be issued in fully registered form in minimum denominations of US$200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such Specified Currency, rounded down to the nearest 1,000 units of such foreign currency) and integral multiples of US$1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such Specified Currency) in excess thereof. In the case of any Notes which are to be offered to the public in a Member State of the EEA or in the UK in circumstances which would otherwise require the publication of a prospectus under the EU Prospectus Regulation or the UK Prospectus Regulation respectively, the minimum denomination at the issue date shall be no less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes). Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global Notes (each, a "**Rule 144A Global Note**") registered in the name of a nominee of DTC. Notes sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more global Notes (each, a "**Regulation S Global Note**" and, together with the Rule 144A Global Notes, the "**Global Notes**") registered in the name of a nominee of DTC. Definitive Notes will only be issued in limited circumstances. See "Legal Ownership and Book-Entry Issuance—Special considerations for Global Notes".
Interest Rates...	Interest bearing Notes may be issued either as Fixed Rate Notes or Floating Rate Notes (each, as defined herein). Fixed Rate Notes will bear interest at the rate specified in the applicable Final Terms and the interest rate may be reset if specified in the applicable Final Terms. Floating Rate Notes will bear interest based on an interest rate formula designated in the applicable Final Terms, which formula shall be one of: the Federal Funds Rate or SOFR. The interest rate on each Floating Rate Note will be calculated by reference to the specified interest rate (a) plus or minus the Spread (as defined herein), if any, and/or (b) multiplied by the Spread Multiplier (as defined herein), if any. Floating Rate Notes may also have a maximum interest rate and a minimum interest rate.
Interest Payment Dates.................................	Interest on Fixed Rate Notes will be payable annually or semi-annually on the date or dates set forth in the applicable Final Terms, and at stated maturity, and interest on Floating Rate Notes will be payable quarterly on the dates set forth in the applicable Final Terms and at stated maturity. Payment of interest on the Subordinated Notes will be conditional on the satisfaction by ANZ Bank NZ of the Solvency Conditions on the date on which such payment is to be made. The Solvency Conditions do not apply to payments in connection with a Subordinated Note on the stated maturity of such Subordinated Note.

Redemption and Repayment	In addition to the redemption provisions described under "Description of the Notes and the Guarantee—Redemption and repayment," "Description of the Notes and the Guarantee—Redemption of Senior Notes for taxation reasons," "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for taxation reasons," "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for regulatory reasons" and "Description of the Notes and the Guarantee—Subordinated Notes—Redemption Conditions", the applicable Final Terms will indicate either that such Notes cannot be redeemed prior to their stated maturity or that such Notes will be redeemable, in whole or in part (and in the case of the Subordinated Notes, subject to the RBNZ's prior written approval and the other conditions specified in "Description of the Notes and the Guarantee—Subordinated Notes—Redemption Conditions", collectively, the "**Redemption Conditions**") at the option of the relevant Issuer upon giving not more than 60 days' written notice nor less than 10 days' written notice to the holders of such Notes on a date or dates specified prior to such stated maturity and at the price or prices indicated in the applicable Final Terms. Subordinated Notes may not be redeemed prior to the fifth anniversary of their issue date (other than due to the occurrence of a Subordinated Notes Tax Event or a Subordinated Notes Regulatory Event (as defined in "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for taxation reasons" and "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for regulatory reasons", respectively)) and, in any case, without satisfying the Redemption Conditions. Prospective purchasers of Subordinated Notes should not expect that the RBNZ's consent will be given for any redemption of Subordinated Notes. The Final Terms for a Tranche of Senior Notes will indicate either that such Notes cannot be repaid at the option of the holders of such Senior Notes prior to their stated maturity or that the Senior Notes will be able to be repaid at the option of the holders of such Senior Notes on a date or dates specified prior to the stated maturity upon giving no more than 45 days' nor less than 30 days' written prior notice to the Fiscal Agent. The holders of Subordinated Notes will not have an option to require that such Subordinated Notes be repaid prior to their stated maturity.

Redemption for Taxation Reasons	Unless otherwise specified in the relevant Final Terms, the Notes may be redeemed at the option of the relevant Issuer, in whole but not in part, in certain circumstances in which the relevant Issuer or, in the case of ANZNIL Notes, the Guarantor, would become obligated to pay additional amounts (in the case of Senior Notes) or an event occurs that directly or indirectly affects the taxation treatment of such Subordinated Notes with the effect that any member of the ANZ Bank NZ Group would be exposed to an increase to its costs in relation to such Subordinated Notes (in the case of Subordinated Notes). Unless otherwise specified in the relevant Final Terms, Subordinated Notes may be redeemed in these circumstances at the option of ANZ Bank NZ as Issuer at the principal amount thereof plus accrued and unpaid interest to but excluding the date fixed for redemption. The tax events giving rise to a redemption in these circumstances differ for Senior Notes and Subordinated Notes and, in the case of Subordinated Notes, could include circumstances in which ANZ Bank NZ would be required to pay additional amounts and other changes that increase the cost of the Subordinated Notes to the ANZ Bank NZ Group. Such circumstances could include: (1) the ANZ Bank NZ Group's inability to deduct for New Zealand income tax purposes, in whole or in part, interest payments (which are currently deductible for New Zealand income tax purposes), or financial arrangements expenditure under the New Zealand Income Tax Act 2007 with respect to, the Subordinated Notes (again which is currently deductible for New Zealand income tax purposes); and (2) any change in law that results in an increase in the rate of the approved issuer levy (as described below). Financial arrangements expenditure referred to above would be, broadly, the difference between consideration received by the Issuer versus consideration paid by the Issuer under or in respect of the Subordinated Notes (which is not limited to principal and interest and may include, for example, certain fees). Financial arrangements expenditure is allocated to an income year in accordance with a spreading method under New Zealand's financial arrangements rules (which may include general financial reporting methods in certain circumstances). If there is a change in the financial arrangements rules operating to deny the ANZ Bank NZ Group all or part of the financial arrangements expenditure which is currently deductible under the New Zealand Income Tax Act 2007 or to change the manner in which the expenditure is to be spread for income tax purposes, such a change could potentially amount to a Subordinated Notes Tax Event. In addition, the ANZ Bank NZ Group is able to pay the approved issuer levy at the rate of two percent of any interest payment in order for New Zealand non-resident withholding tax to not apply in relation to payments of interest under the Subordinated Notes. If there was a change in law which resulted in an increase in the rate of the approved issuer levy, that could also be a change that potentially amounts to a Subordinated Notes Tax Event. See "Taxes—New Zealand taxation—Non-resident withholding tax" for more information regarding the approved issuer levy. As a consequence, ANZ Bank NZ may be able to redeem Subordinated Notes in more circumstances than the relevant Issuer would have been able to redeem Senior Notes. See "Risk Factors—Risks related to particular types of Notes which may be issued under this program—Redemption prior to maturity may adversely affect the return on the Notes", "Description of the Notes and the Guarantee—Redemption of Senior Notes for taxation reasons" and "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for taxation reasons". Subordinated Notes may not be redeemed unless the Redemption Conditions are satisfied. Prospective purchasers of Subordinated Notes should not expect that the RBNZ's approval will be given, or the other Redemption Conditions will be satisfied, for any redemption of Subordinated Notes.

Redemption of Subordinated Notes for Regulatory Reasons......................................	Unless otherwise specified in the relevant Final Terms, Subordinated Notes may be redeemed at the option of ANZ Bank NZ as Issuer, in whole but not in part, at the principal amount thereof plus accrued and unpaid interest to but excluding the date fixed for redemption if ANZ Bank NZ determines that certain circumstances have occurred, as a result of which ANZ Bank NZ will be adversely affected in relation to its regulatory capital treatment of such Subordinated Notes or will not be entitled to treat some or all such Subordinated Notes as Tier 2 Capital. See "Description of the Notes and the Guarantee—Redemption of Subordinated Notes for regulatory reasons". Subordinated Notes may not be redeemed unless the Redemption Conditions are satisfied. Prospective purchasers of Subordinated Notes should not expect that the RBNZ's approval will be given, or the other Redemption Conditions will be satisfied, for any redemption of Subordinated Notes.
Zero Coupon Notes..	Zero Coupon Notes will be offered and sold at a discount to their principal amounts and will not bear interest. Only Senior Notes may be Zero Coupon Notes.
Original Issue Discount Notes..........................	An Original Issue Discount Note will be issued at a price lower than its principal amount and will provide that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable (as specified in the applicable Final Terms). Only Senior Notes may be Original Issue Discount Notes.
Taxation..	All payments in respect of the Notes and the Guarantee will be made without deduction for or on account of withholding taxes imposed within New Zealand or the UK, except as described under "Description of the Notes and the Guarantee—Payment of additional amounts". For a discussion of certain tax considerations, see "Taxes".
Rating	The Senior Notes when issued, are expected to be rated A1 by Moody's, AA- by S&P and A+ by Fitch. The Subordinated Notes, when issued, are expected to be rated A3 by Moody's and A- by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.
Fiscal Agent	The Bank of New York Mellon.
Paying Agent	The Bank of New York Mellon.
Listing...	The Notes will be admitted to the Official List of the FCA and admitted to trading on the London Stock Exchange's Main Market.
Transfer Restrictions	There are selling restrictions in relation to the United States, Canada, Hong Kong, Japan, New Zealand, the European Economic Area, the Republic of Korea, Singapore, Taiwan, the UK, Australia, and such other jurisdictions as may be required in connection with the offering and sale of a Tranche as set forth in the applicable Final Terms. See "Plan of Distribution".
Governing Law..	In the case of Senior Notes, the laws of the State of New York, except as to authorization and execution by ANZ Bank NZ and ANZNIL of the Senior Notes, the Guarantee and the Fiscal Agency Agreement, which are governed by the laws of New Zealand. In the case of Subordinated Notes, the laws of the State of New York, except as to the status and subordination provisions of the Subordinated Notes and the authorization and execution by ANZ Bank NZ of the Subordinated Notes and the Fiscal Agency Agreement, which are governed by the laws of New Zealand.
Risk Factors	Prospective purchasers of the Notes should consider carefully all of the information set forth in this Offering Memorandum and, in particular, the information set forth under the caption "Risk Factors" in this Offering Memorandum before making an investment in the Notes.

2. RISK FACTORS

The ANZ Bank NZ Group’s activities are subject to risks that can adversely impact its business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, “**Position**”). In addition, any investment in the Notes will involve risks including, without limitation, those described in this section.

The risks and uncertainties described below are not the only ones that the ANZ Bank NZ Group may face. Additional risks and uncertainties that the ANZ Bank NZ Group is unaware of, or that the ANZ Bank NZ Group currently deems to be immaterial, may also become important factors that affect the ANZ Bank NZ Group.

As at the date of this Offering Memorandum, the Issuers and the Guarantor believe that the below risk factors may affect the relevant Issuers' ability to fulfil its obligations under the Notes or the Guarantor's ability to fulfil its obligations under the Guarantee and could be material for the purpose of assessing the market risks associated with the Notes. If any of the following factors actually occur, the trading price of the Notes could fall and investors may lose the value of their entire investment or part of it.

Prospective investors should carefully consider the following discussion of the risk factors and the other information in this Offering Memorandum and any applicable Final Terms or other supplement and consult their own financial and legal advisers about the risks associated with the Notes before deciding whether an investment in the Notes is suitable for them.

If any of the specified or unspecified risks actually occur, the ANZ Bank NZ Group’s Position may be materially and adversely affected.

Risks related to the Issuers’ business activities and industry

Changes in political, general business, financial and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group's financial performance is primarily influenced by the political, economic and financial conditions and the level of business activity in the major countries and regions in which the ANZ Bank NZ Group or its customers or counterparties operate, trade or raise funding including, without limitation, New Zealand, Australia, the Asia Pacific region, the UK, Europe and the United States (the “**Relevant Jurisdictions**”).

The political, economic, financial and business conditions that prevail in the ANZ Bank NZ Group’s operating and trading markets are affected by, among other things, domestic and international economic events, developments in global financial markets, the stability of banking systems and any related implications for funding and capital markets, resilience of global supply chains, political perspectives, opinions and related events, government shutdowns, debt ceilings and natural disasters.

Global political conditions that impact the global economy have led to, and may continue to result in extended periods of increased political and economic uncertainty and volatility in the global financial markets, which could adversely affect the ANZ Bank NZ Group's Position. Examples of events that have affected (and may continue to affect) global political conditions include the ongoing conflict in Ukraine, the UK ceasing to be a member of the European Union (“**EU**”) and the European Economic Area on January 31, 2020 (commonly referred to as “**Brexit**”), and global trade developments relating to, among other things, the imposition or threatened imposition of trade tariffs and levies by major countries, including the United States, China and other countries that are New Zealand’s significant trading partners and allies.

The conflict in Ukraine is ongoing and fluid. It has had, and is expected to continue to have, significant ramifications on the geopolitical and economic landscape, particularly in Europe. Though the ANZ Bank NZ Group does not operate in and does not currently have any direct exposure to Russia or Ukraine, the conflict has the potential to adversely impact the markets in which the ANZ Bank NZ Group does operate, and any prolonged market volatility or economic uncertainty could adversely impact the ANZ Bank NZ Group's Position.

Inflationary pressures are at high levels in many economies, including in New Zealand, Australia, the United States, Canada, Europe and the UK. Geopolitical tensions, rising interest rates, central bank tightening, and challenges to the global economy, such as global shipping capacity constraints, higher costs for freight, supply chain issues, higher energy prices, higher food prices, and tightened labor markets, are all contributing to rising inflationary pressures on the global economy. This may lead to counterparties defaulting on their debt obligations, countries re-denominating their currencies and/or introducing capital controls and/or one or more major economies collapsing, and could impact the creditworthiness and stability of other financial institutions. While difficult to predict, such events have recently destabilized and could further destabilize global financial markets, adversely affecting all participants, including adversely affecting the ANZ Bank NZ Group’s Position. Food prices and supply, already affected by the war in Ukraine, are also being impacted by extreme weather conditions in key agricultural regions. These factors may impact financial market or economic and social stability and could adversely affect the ANZ Bank NZ Group's Position.

Trade and broader geopolitical relationships between the United States and some of its trading partners, such as China, remain volatile. The implementation of trading policies or divergent regulatory frameworks by New Zealand’s key trading partners and allies may adversely impact the demand for New Zealand’s exports and may lead to declines in global economic growth. In particular, China is one of New Zealand’s major trading partners and a significant driver of commodity demand and prices in many of the markets in which the ANZ Bank NZ Group and its customers operate. Any heightening of geopolitical tensions and the occurrence of events that adversely affect China’s economic growth and New Zealand’s economic relationship with China, including the implementation of additional tariffs and other protectionist trade policies, could adversely affect New Zealand economic activity, and, as a result, could adversely affect the ANZ Bank NZ Group’s Position.

Instability in global political conditions, including as a result of the conflict in Ukraine, has contributed to economic uncertainty and declines in market liquidity and could increase volatility in the global financial markets and negatively impact consumer and business activity within the markets in which the ANZ Bank NZ Group or its customers or counterparties operate, or result in the introduction of new and/or divergent regulatory frameworks that the ANZ Bank NZ Group will be required to adhere to. These conditions may also adversely affect the ANZ Bank NZ Group’s ability to raise funding in the international capital markets.

Slower growth and uncertainty regarding global growth in the future may depress global commodity prices, particularly dairy and agricultural prices, and add to financial market uncertainty. A further or sustained slowdown in global economic growth or a decline in commodity prices could depress the volume and price of New Zealand's exports, such as dairy products, with negative flow-on effects for those industries closely tied to the export sector.

Movements in the New Zealand dollar illustrate the potential volatility in, and significance of global economic events to, the value of the New Zealand dollar relative to other currencies. Depreciation of the New Zealand dollar relative to other currencies would increase the foreign debt servicing obligations in New Zealand dollar terms of unhedged exposures. In contrast, an appreciation in the New Zealand dollar relative to other currencies could negatively impact New Zealand's agricultural exports and international tourism.

Should economic conditions deteriorate in markets in which the ANZ Bank NZ Group or its customers or counterparties operate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Deterioration in global markets, including equity, property, currency and other asset markets, may impact the ANZ Bank NZ Group's customers and the security the ANZ Bank NZ Group holds against loans and other credit exposures, which may impact the ANZ Bank NZ Group's ability to recover loans and other credit exposures. Should any of these occur, the ANZ Bank NZ Group's Position could be materially adversely affected. See "—Risks related to the Issuers' financial situation—Credit risk may adversely affect the ANZ Bank NZ Group's Position*"* for more detail.

The ANZ Bank NZ Group's financial performance may also be adversely affected if the ANZ Bank NZ Group is unable to adapt its cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected costs (including credit and funding costs and increases in costs resulting from inflationary conditions) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in the countries or regions in which the ANZ Bank NZ Group or its customers or counterparties operate. Should any of these occur, the ANZ Bank NZ Group's Position could be materially adversely affected.

For current economic conditions impacting the ANZ Bank NZ Group and its customers, including changes in the real estate market in New Zealand, see "—Changes in the real estate market in New Zealand may adversely affect the ANZ Bank NZ Group's Position". For additional political conditions impacting the ANZ Bank NZ Group, see "—Legal and regulatory risk—Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group's Position".

All or any of the negative political, business or economic conditions described above may cause a reduction in demand for the ANZ Bank NZ Group's products and services and/or an increase in loan and other credit defaults and bad debts, which may adversely affect the ANZ Bank NZ Group's Position.

Competition in the markets in which the ANZ Bank NZ Group operates may adversely affect the ANZ Bank NZ Group's Position

The markets in which the ANZ Bank NZ Group operates are highly competitive and could become more competitive in the future. Examples of factors that may affect competition, and negatively impact the ANZ Bank NZ Group's Position, include:

- entities that the ANZ Bank NZ Group competes with, including those incorporated outside of New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, because those lower levels of regulation may give them a lower cost base and/or the ability to attract employees that the ANZ Bank NZ Group would otherwise seek to employ;
- digital technologies and business models are changing customer behavior and the competitive environment and emerging competitors are increasingly utilizing new technologies and seeking to disrupt existing business models in the financial services sector;
- existing companies from outside of the traditional financial services sector are directly competing with the ANZ Bank NZ Group by offering products and services traditionally provided by banks, including by partnering with existing providers;
- consumers and businesses may choose to transact using, or to invest or store value in, new forms of currency (such as cryptocurrencies or central bank digital currencies) in relation to which the ANZ Bank NZ Group may choose not, or may not competitively be able, to provide financial services. For example, the RBNZ has announced that it is actively researching central bank digital currency, the effect of which, if adopted, on the ANZ Bank NZ Group's Position is uncertain. Any new form of currency could change how financial intermediation and markets operate and, with that, the competitive and commercial position of the ANZ Bank NZ Group;
- emerging fintechs and banks partnering to develop a framework that provides third-party financial service providers open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions may lead to increased competition, which could result in weakening the profitability of banks that are slow to adapt to the changing financial system landscape. At the date of this Offering Memorandum, there is no regulatory requirement to provide third-party financial service providers open access to consumer banking, transaction, and other financial data held by registered banks in New Zealand. The New Zealand Government announced in July 2021 that a Consumer Data Right will be established in New Zealand. The New Zealand Government intends to issue an exposure draft of the related Bill for public consultation during 2023, before it is introduced into Parliament; and
- Open Banking may lead to increased competition (see risk factor "—Legal and regulatory risk—Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group's Position").

The impact on the ANZ Bank NZ Group of an increase in competitive market conditions or a technological change that puts the ANZ Bank NZ Group's business platforms at a competitive disadvantage, especially in the ANZ Bank NZ Group's main markets and products, could lead to a material reduction in the ANZ Bank NZ Group's market share, customers and margins and adversely affect the ANZ Bank NZ Group's Position.

Increased competition for deposits may increase the ANZ Bank NZ Group's cost of funding. If the ANZ Bank NZ Group is not able to successfully compete for deposits, the ANZ Bank NZ Group would be forced to rely more heavily on other, less stable or more expensive forms of funding, or to reduce lending. This may adversely affect the ANZ Bank NZ Group's Position.

Geopolitical and economic disruptions could have a significant impact on competition and profitability in the New Zealand financial services sector over the medium term due to funding cost and credit provision increases, changes in interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and temporary regulatory safe harbors. The low-growth environment will likely lead to heightened competitive intensity and margin compression.

Changes in the real estate market in New Zealand may adversely affect the ANZ Bank NZ Group's Position

Residential, commercial and rural property lending, together with real estate development and investment property finance, constitute important businesses of the ANZ Bank NZ Group.

The scale and pace of interest rate rises since 2021 has seen property prices in New Zealand fall. Investors are taking a cautious approach and the extent of property price falls will ultimately depend on the speed and magnitude of continued interest rate rises and the impact on the broader economic outlook.

Median prices for residential property increased in prior years, peaking in November 2021, prior to declining in the 2022 calendar year. These declines have so far continued into 2023. The RBNZ has acknowledged that higher interest rates and rising costs of living are putting pressure on households that may affect home prices and that house prices are expected to keep falling towards more sustainable levels in the near term. New Zealand has already seen a material reduction in demand for residential and commercial property. The reduced demand has resulted in minimal growth in the residential mortgage portfolio for ANZ Bank NZ Group for the six months to March 31, 2023. Rapid increases in mortgage interest rates have also seen debt servicing costs rise significantly for many borrowers.

Increases in interest rates may affect debt serviceability, increase loan defaults by the ANZ Bank NZ Group's borrowers, place pressure on loan covenants and reduce demand for commercial and residential property and the ANZ Bank NZ Group's associated lending products in New Zealand. To address currently elevated inflation levels, interest rate increases may continue for the foreseeable future.

Interest rate rises, on the back of recent asset price inflation and yield compression, could cause a decline in interest coverage ratios and asset values in the ANZ Bank NZ Group's portfolio of commercial property loans. Market sentiment remains weak, and the ANZ Bank NZ Group is beginning to see declining values for existing security and expects to see further declines in some segments in the next 12 months. Dated valuations still benefit from a buffer created following strong asset price inflation until late 2021. Notwithstanding, in some cases this may result in an increased refinance risk and necessitate equity contributions from borrowers towards debt reduction and/or a restructure of facilities. Secondary grade assets may be more susceptible to a decline in prices particularly if investors have overlooked weaker fundamentals during a more favorable economic outlook and interest rate environment. Refinance risk could be exacerbated in the event of liquidity constraints in the banking sector and has already been seen in some softening in non-bank debt markets as investors rebalance portfolios and return expectations in the face of greater uncertainty and volatility. Non-bank financiers have been particularly supportive of the predevelopment land and property development sectors in recent years, so the number of new projects may begin to decline.

Separately, construction risk, including contractor stability, the impact of supply chain constraints on the cost of materials together with increasing labor costs may impact commercial property development feasibility and land values in the short to medium term. In addition, COVID-19 has triggered a change in the demand and supply dynamics in the office sector as more organizations support flexible working arrangements as a long-term trend.

Each of the factors outlined above may adversely affect the ANZ Bank NZ Group's Position.

COVID-19 and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the ANZ Bank NZ Group's Position

The lingering effects of COVID-19 continue to impact the ANZ Bank NZ Group's Position, and the domestic and global economy. The future impacts of COVID-19 on ANZ Bank NZ's business remain uncertain, as further variants may develop that impact ANZ Bank NZ Group's customers and businesses and require the imposition of different, or reimposition of previously terminated government responses, including restrictions.

COVID-19 related supply chain disruption and labor mobility constraints could result in a decline in profit margins, and could impact customers' cash flows, capital, liquidity and financing needs.

The substantial reduction in global economic activity that was experienced during COVID-19 caused significant volatility in the financial markets and such volatility has had and is expected to continue to have a significant impact on the global economy and global markets, as well as on the New Zealand economy. Individual customers still enduring hardship may suffer detriment if ANZ Bank NZ Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

Any of the negative conditions related to COVID-19 or other communicable diseases or pandemics alone or combined with other risks (e.g., geopolitical risk), may cause a reduction in demand for the ANZ Bank NZ Group's products and services and/or an increase in loan and other credit defaults, bad debts, and impairments and/or an increase in the cost of the ANZ Bank NZ Group's operations. Should any of these occur, the ANZ Bank NZ Group's Position could be materially adversely affected.

Sovereign risk events may destabilize global financial markets and may adversely affect the ANZ Bank NZ Group's Position

Sovereign risk is the risk that governments will default on their debt obligations, be unable to refinance their debts as and when they fall due or nationalize parts of their economy. Sovereign defaults may adversely impact the ANZ Bank NZ Group directly, through adversely impacting the value of the ANZ Bank NZ Group's assets, or indirectly through destabilizing global financial markets, thereby adversely impacting the ANZ Bank NZ Group's Position.

Sovereign risk exists in many economies, including economies in which the ANZ Bank NZ Group operates or has direct exposures, such as the United States, the UK, China, Europe, Australia and New Zealand. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises.

Market risk events may adversely affect the ANZ Bank NZ Group's Position

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the ANZ Bank NZ Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the ANZ Bank NZ Group's trading operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded market risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations and non-traded equity risk. Losses arising from the occurrence of such market risk events may adversely affect the ANZ Bank NZ Group's Position.

The Restructure of the ANZ Group that established a non-operating holding company may adversely affect the ANZ Bank NZ Group's Position

Earlier in calendar year 2023, the ANZBGL Group implemented the Restructure that resulted in ANZGHL becoming the new listed parent company of the ANZ Bank NZ Group in place of ANZBGL. ANZGHL is a NOHC and is authorized to operate as such under the Banking Act 1959 (Cth).

APRA has not yet finalized its prudential framework for Australian NOHCs of ADIs. The adoption of APRA's prudential framework for NOHCs is expected to take place in 2025, following a period of industry consultation. There is a risk that APRA's final regulatory framework for Australian NOHCs of ADIs and the regulation of ANZGHL over time will differ from the existing regulatory framework potentially increasing the regulatory risk facing the ANZ Bank NZ Group. This may have negative consequences for the ANZ Bank NZ Group (as it forms part of the ANZ Group) and/or may require further changes to the ANZ Group's structure.

While the Restructure was completed in January 2023, a number of implementation steps remain. The failure to successfully implement all of the transition and other items associated with the Restructure, could have an adverse impact on the ANZ Bank NZ Group's Position. The post-Restructure operating model may fail to function as expected or realize the anticipated benefits and further changes may be required. To the extent this occurs, it may adversely affect the ANZ Group's Position.

Changes in exchange rates may adversely affect the ANZ Bank NZ Group's Position

As the ANZ Bank NZ Group conducts business in several different currencies, although mainly in New Zealand dollars, its businesses may be affected by movements in currency exchange rates. Additionally, as the ANZ Bank NZ Group's financial statements are prepared and stated in New Zealand dollars, any change in the value of the New Zealand dollar against other currencies in which the ANZ Bank NZ Group earns revenue or holds capital may adversely affect its reported earnings and/or capital ratios.

Appreciation in the New Zealand dollar relative to other currencies could have an adverse effect on certain portions of the New Zealand economy, including agricultural exports, international tourism, manufacturers, and import-competing producers, which may adversely affect the ANZ Bank NZ Group's Position. Depreciation in the New Zealand dollar relative to other currencies will increase debt servicing obligations in New Zealand dollar terms of unhedged foreign currency exposures.

The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the ANZ Bank NZ Group's securities issuances and its capital markets and investment activities

Most LIBOR settings have now permanently ceased publication; only six continue to be published. Three-month GBP LIBOR will continue to be published, on a synthetic basis only, until the end of March 2024. The overnight and one-, three-, six- and 12-month USD LIBOR settings will continue to be published, on a panel basis, until the end of June 2023. At that time, publication of overnight and 12-month USD LIBOR will permanently cease. The FCA decided to require the publication of one, three and six month USD LIBOR, on a synthetic basis only, from the end of June 2023 until September 30, 2024, at which time their publication will permanently cease. Synthetic USD LIBOR will be calculated using the relevant CME Term SOFR reference rate plus the respective ISDA fixed adjustment spread. The FCA will permit synthetic USD LIBOR to be used in legacy contracts except cleared derivatives.

Many LIBOR obligations have transitioned, or will be transitioned, to an alternative benchmark rate. However, there are many loans, mortgages, securities, derivatives and other financial instruments which remain linked to USD LIBOR (and rates which incorporate USD LIBOR in their construction such as the benchmark rates used in Singapore, Thailand, the Philippines and India). Any failure to execute effective transitional arrangements to address USD LIBOR discontinuation could result in disruption in the financial markets, suppress capital markets activities and give rise to litigation claims. In addition, financial markets, particularly the trading market for floating rate obligations, may in general be adversely affected later in 2023 (and beyond) by the discontinuation of the remaining LIBOR settings and the transition to alternative reference rates. In the case of USD LIBOR, there is no assurance that any alternative reference rate will be the economic equivalent of the USD LIBOR setting the alternative reference rate is intended to replace. Any or all of these matters could have a negative impact on the ANZ Bank NZ Group's Position and on the value of USD LIBOR-linked securities or other instruments which are issued, funded or held by the ANZ Bank NZ Group.

The ANZ Bank NZ Group is party to loans, securities, derivatives and other financial instruments that currently use USD LIBOR as a benchmark rate or are otherwise linked to USD LIBOR. In some cases, those instruments include terms providing for the relevant interest or payment calculations to be made by reference to an alternative benchmark rate or on some other basis in the event of USD LIBOR's discontinuation; and such instruments should transition away from USD LIBOR in accordance with those terms. In cases where an instrument's terms do not include robust fallback provisions or the fallback provisions are considered to be inadequate, the instrument may need to be amended to add or amend such provisions in line with emerging market standards (or, where applicable, amendments may be made by operation of law such as the U.S. Adjustable Interest Rate (LIBOR) Act where the underlying contract falls within scope of that legislation), or other arrangements may have to be made with regard to such instrument when USD LIBOR is discontinued. In some cases, it may not be possible to amend the relevant terms of USD LIBOR-linked instruments. The potential legal, regulatory and other consequences if this occurs are uncertain. In any event, implementation of existing fallback provisions or changes made on any other basis may, for example, alter the amounts payable under the relevant instrument, its value and its liquidity, and may result in a mismatch between such instrument and any related contract (such as a hedging agreement). In addition, the process of taking the necessary action with regard to these contracts prior to the end of June 2023 involves operational risks for the ANZ Bank NZ Group.

Other benchmark rates have been, or may be, reformed (for example, the Euro Interbank Offered Rate ("**EURIBOR**")). Any such reforms may cause the relevant benchmarks to perform differently than in the past, or the reforms made to the rate may have other consequences which cannot be fully anticipated.

If a benchmark rate is discontinued, there may or may not be a suitable, similar alternative reference rate and there may be adverse consequences in transitioning to an alternative rate. Any of these developments, and any future initiatives with regard to the regulation of benchmarks, could result in adverse consequences to the return on, value of and market for loans, mortgages, securities, derivatives and other financial instruments whose returns are linked to any such benchmark rate, including those issued, funded or held by the ANZ Bank NZ Group; and could result in widespread dislocation in the financial markets, engender volatility in the pricing of securities, derivatives and other instruments, and suppress capital markets activities, all of which could have adverse effects on the ANZ Bank NZ Group's Position.

Acquisitions and/or divestments may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group regularly examines a range of corporate opportunities, including acquisitions and divestments, with a view to determining whether those opportunities will enhance the ANZ Bank NZ Group's strategic position and financial performance.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, technology platforms and management controls, as well as managing relevant relationships and contracts with employees, customers, regulators, counterparties, suppliers and other business partners. The loss of key relationships and/or personnel from an acquisition or divestment could have an adverse effect on the ANZ Bank NZ Group's Position.

There can also be no assurance that any acquisition (or divestment) would have the anticipated positive results around synergies, cost or cost savings, time to integrate (or separate) and overall performance; as the underlying assumptions for the acquisition (or divestment) may not ultimately prove to be accurate or achievable. Any acquisition (or divestment) may also impact the ANZ Bank NZ Group's credit ratings, cost of funds and access to further funding, which could in turn adversely affect the ANZ Bank NZ Group's funding and liquidity positions.

Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. There is also the risk of counterparties making claims in respect of completed or uncompleted transactions against the ANZ Bank NZ Group that could adversely affect the ANZ Bank NZ Group's Position. All or any of these factors could adversely affect the ANZ Bank NZ Group's ability to conduct its business successfully and impact the ANZ Bank NZ Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment). Further, there is a risk that completion of an agreed transaction may not occur whether in the form originally agreed between the parties or at all, including due to failure of the ANZ Bank NZ Group or the counterparty to satisfy its completion conditions or because other completion conditions such as obtaining relevant regulatory, shareholder or other approvals are not satisfied. Should any of these integration or separation risks occur, this could adversely affect the ANZ Bank NZ Group's Position.

Risks related to the Issuers' financial situation

Credit risk may adversely affect the ANZ Bank NZ Group's Position

As a financial institution, the ANZ Bank NZ Group is exposed to the risks associated with extending credit to other parties, including incurring credit-related losses that can occur as a result of a counterparty being unable or unwilling to honor its contractual obligations. Credit losses can and have resulted in financial services organizations realizing significant losses and, in some cases, failing altogether.

In the markets in which the ANZ Bank NZ Group, its customers or counterparties operate, the risk of credit-related losses continues to be impacted by conditions relating to the lingering impacts of COVID-19, inflationary pressures, global supply chain disruptions and heightened political tensions, particularly those referred to in the risk factor "Risks related to the Issuers' business activities and industry—Changes in political, general business, financial and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the ANZ Bank NZ Group's Position". The risk of credit-related losses has recently increased due to the factors described above and may further increase as a result of less favorable conditions developing, whether generally or in a specific industry sector or geographic region, which could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms or at all. These conditions include but are not limited to, weakened confidence in the stability of the banking system generally or particular financial institutions that may impact the ANZ Bank NZ Group, a sustained high level of unemployment, continued increases in interest rates and inflationary conditions, and a reduction in the value of assets the ANZ Bank NZ Group holds as collateral or the market value of the counterparty instruments and obligations it holds.

Some of the ANZ Bank NZ Group's customers and counterparties in or with exposures to the below mentioned sectors are increasingly vulnerable:

- industries exposed to the unwinding of government stimulus packages and increasing interest rates, as well as industries reliant on consumer discretionary spending;
- industries that are heavily exposed to fuel supply shortages and associated rising costs including aviation, road transport, shipping and agriculture, particularly given the conflict between Russia and Ukraine and the associated impact on oil and gas prices, production and supply;
- participants in energy or commodity markets that are exposed to rising margin payment requirements under hedge or futures contracts that arise due to underlying price volatility;
- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g., technology, agriculture, communications, and financial institutions) and/or declining global growth and disruption to global supply chains which include but are not limited to retail, wholesale, automotive, manufacturing and packaging industries;
- the commercial property sector (including construction and contractors), which is exposed to rising interest rates, downward pressure on valuations and a decline in investor demand for large-scale-inner-city apartment buildings. In some markets, commercial contractors and sub-contractors may face cash flow/liquidity issues over the next 12 to 24 months as current projects run off and their forward books are diminished. The residential development sector is experiencing supply chain issues, increased costs and labor mobility issues. Earnings for hotel accommodation and certain retail sectors are still being impacted by reduced mobility and the extent of longer-term implications for some offices remains uncertain due to the shift to remote working arrangements;
- industries facing labor supply shortages and/or who are reliant on access to both skilled and unskilled migrant workers, including tourism and hospitality, technology, agriculture, retail, health, construction and services;
- customers and industries exposed to disruption from adverse natural events (e.g., earthquakes), physical climate risk (e.g., flood, storm and drought), and transition risk (e.g., industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on

climate-related risks, see "—Environmental, social and governance risks—Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the ANZ Bank NZ Group's Position";

- the dairy sector, where there is significant variation in the cost structures across New Zealand dairy farms, and some farms may struggle to achieve profitability. As a result, problem loans may increase;
- industries exposed to the volatility of the U.S. dollar, as well as the New Zealand dollar; and
- banks and financial services companies, as they may experience pressure on liquidity due to impacts of rapidly rising interest rates and the flow on impacts to asset values, which could result in the deterioration of credit ratings, the need for restructuring/recapitalization, losses of confidence in financial institutions or a financial default.

The ANZ Bank NZ Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which may result in credit losses. Should material credit losses occur to the ANZ Bank NZ Group's credit exposures, this may adversely affect the ANZ Bank NZ Group's Position.

Credit risk may also arise from certain derivative, clearing and settlement contracts that the ANZ Bank NZ Group enters into, and from the ANZ Bank NZ Group's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies where the financial conditions of such entities are affected by economic conditions in global financial markets.

In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, the ANZ Bank NZ Group relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. The ANZ Bank NZ Group may also rely on representations of customers and independent consultants as to the accuracy and completeness of that information. The ANZ Bank NZ Group's financial performance could be negatively impacted to the extent that it relies on information that is incomplete, inaccurate or materially misleading.

The ANZ Bank NZ Group holds provisions for credit impairment that are determined based on current information and subjective and complex judgements of the impairment within the ANZ Bank NZ Group's lending portfolio. If the information upon which the assessment is made proves to be inaccurate or if the ANZ Bank NZ Group fails to analyze the information correctly, the provisions made for credit impairment may be insufficient, which may adversely affect the ANZ Bank NZ Group's Position.

Challenges in managing the ANZ Bank NZ Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group's capital base is critical to the management of its businesses and access to funding. The ANZ Bank NZ Group is required by its primary prudential regulator, the RBNZ, to maintain adequate regulatory capital.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These regulatory capital requirements are likely to compound the impact of any reduction in capital resulting from lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require the ANZ Bank NZ Group to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

The ANZ Bank NZ Group's capital ratios may be affected by a number of factors, such as (i) lower earnings, (ii) increased asset growth, (iii) changes in the value of the New Zealand dollar against other currencies in which the ANZ Bank NZ Group operates that impact RWA or regulatory capital, (iv) worsening of the risk grade of counterparties, (v) changes in business strategy (including acquisitions, divestments and investments or an increase in capital intensive businesses), (vi) changes in regulatory requirements and (vii) changes in the valuation of liquid assets held.

The RBNZ has implemented prudential standards to accommodate Basel III. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel III, that seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations have had or will have their intended effect. The recent collapse of certain financial institutions in the United States and Europe may raise the likelihood of changes to capital and other regulatory requirements applicable to the ANZ Bank NZ Group, which may impact the ANZ Bank NZ Group's Position. These regulations, together with risks arising from any regulatory changes (including those arising from the RBNZ's reform of capital requirements), are described in the risk factor "—Legal and regulatory risk—Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group's Position" and "Supervision and Regulation".

Any inability of the ANZ Bank NZ Group to maintain its regulatory capital may have a material adverse effect on the ANZ Bank NZ Group's Position.

The ANZ Bank NZ Group's credit ratings could change and adversely affect the ANZ Bank NZ Group's ability to raise capital and wholesale funding and constrain the volume of new lending, which may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. They may also be important to customers or counterparties when evaluating the ANZ Bank NZ Group's products and services. Credit ratings and rating outlooks may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies used by ratings agencies to determine credit ratings and rating outlooks may be revised in response to legal or regulatory changes, market developments or for any other reason.

The credit ratings or rating outlooks assigned to ANZ Bank NZ or its subsidiaries could be negatively affected by a change in a number of factors, including the ANZ Bank NZ Group's ability to maintain a stable earnings stream, capital ratios, credit quality and risk management controls, funding sources, and liquidity monitoring procedures. A credit rating downgrade or change in rating outlook could be driven by the occurrence of one or more of the other risks identified in this Offering Memorandum, a change in ratings methodologies or other events, including volatility in the banking sector. In addition, any diminishment (either perceived or actual) of ANZBGL's support for the ANZ Bank NZ Group, a reduction in ANZBGL's credit ratings or ratings outlook or New Zealand's or Australia's sovereign credit ratings or ratings outlook could adversely affect the ANZ Bank NZ Group's credit ratings or ratings outlook. New Zealand's or Australia's sovereign credit ratings or ratings outlook could be negatively impacted by a variety of factors, including fiscal spending, legislation and regulatory changes implemented by the Australian or New Zealand governments. As a result, downgrades in the ANZ Bank NZ Group's credit ratings or a change in the ANZ Bank NZ Group's ratings outlook could occur that do not reflect changes in the general economic conditions or the ANZ Bank NZ Group's financial condition. In addition, the ratings of individual securities (including, but not limited to, certain Additional Tier 1 capital and Tier 2 capital securities and covered bonds) issued by the ANZ Bank NZ Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies.

Any future downgrade or potential downgrade to the ANZBGL Group's credit ratings or rating outlooks may reduce access to capital and wholesale debt markets and could lead to an increase in funding costs, which could constrain the volume of new lending and affect the willingness of counterparties to transact with the ANZ Bank NZ Group which may adversely affect the ANZ Bank NZ Group's Position.

Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by the ANZ Bank NZ Group.

Liquidity and funding risk events may adversely affect the ANZ Bank NZ Group's Position

Liquidity and funding risk is the risk that the ANZ Bank NZ Group is unable to meet its payment obligations as they fall due (including repaying depositors or maturing wholesale debt) or that the ANZ Bank NZ Group has insufficient capacity to fund increases in assets. Liquidity and funding risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of the ANZ Bank NZ Group's borrowings and constrain the volume of new lending which may adversely affect the ANZ Bank NZ Group's Position.

Deterioration and volatility in market conditions and/or declines in investor confidence in the ANZ Bank NZ Group may materially impact the ANZ Bank NZ Group's ability to replace maturing liabilities and access funding (in a timely and cost-effective manner), which may adversely impact the ANZ Bank NZ Group's Position. Advances in technology have made it more convenient and faster for bank customers to withdraw funds deposited with the ANZ Bank NZ Group, which may increase the risks associated with on-demand liabilities, such as deposits.

The ANZ Bank NZ Group raises funding from a variety of sources, including customer deposits and wholesale funding in domestic and offshore markets to meet its funding requirements and to maintain or grow its business generally. Developments in major markets can adversely affect liquidity in global capital markets. For example, in times of liquidity stress, if there is damage to market confidence in the ANZ Bank NZ Group or if funding inside or outside of New Zealand is not available or constrained, the ANZ Bank NZ Group's ability to access sources of funding and liquidity may be constrained and the ANZ Bank NZ Group will be exposed to liquidity and funding risk.

Changes in the valuation of some of the ANZ Bank NZ Group's assets and liabilities may adversely affect the ANZ Bank NZ Group's earnings and/or equity, and therefore the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group applies accounting standards, which require that various financial instruments, including derivative instruments, assets and liabilities classified as fair value through other comprehensive income, and certain other assets and liabilities (as per Note 1 to the ANZ Bank NZ Unaudited Financial Statements and the 2022 ANZ Bank NZ Financial Statements, respectively) are measured at fair value with changes in fair value recognized in earnings or equity.

Generally, in order to measure the fair value of these instruments, the ANZ Bank NZ Group relies on quoted market prices or present value estimates or other valuation techniques that incorporate the impact of factors that a market participant would take into account when pricing the asset or liability. Certain other assets, including some unlisted equity investments, are valued using discounted cash flow techniques. The fair value of these instruments is impacted by changes in market prices or valuation inputs that may have a material adverse effect on the ANZ Bank NZ Group's earnings and/or equity.

In addition, the ANZ Bank NZ Group may be exposed to a reduction in the value of non-lending related assets as a result of impairments that are recognized in earnings. The ANZ Bank NZ Group is required to test the recoverability of goodwill balances and intangible assets with indefinite useful lives or not yet available for use at least annually and other non-lending related assets including premises and equipment (including right-of-use assets arising from leases), investment in associates, capitalized software and other intangible assets where there are indicators of impairment.

For the purpose of assessing the recoverability of the goodwill balances, the ANZ Bank NZ Group uses a discounted cash flow calculation. Changes in the assumptions upon which the calculation is based, together with changes in earnings, may materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balances.

As at March 31, 2023, the ANZ Bank NZ Group carried a goodwill balance of NZ$3,006 million. Similarly, as at March 31, 2023, the ANZ Bank NZ Group carried capitalized software balances and other intangible assets of NZ$90 million and the recoverability of these assets is assessed for indicators of impairment semi-annually.

In respect of other non-lending related assets, in the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, impairment charges may be recorded, resulting in an adverse impact on the ANZ Bank NZ Group's Position. This, in conjunction with the other potential changes above, could impact the ANZ Bank NZ Group's Position.

Changes to accounting policies may adversely affect the ANZ Bank NZ Group's Position

The accounting policies that the ANZ Bank NZ Group applies are fundamental to how the ANZ Bank NZ Group records and reports its financial position and results of operations. The accounting policies for the ANZ Bank NZ Financial Statements as at and for the six months ended March 31, 2023 and as at and for the years ended September 30, 2022 and September 30, 2021 are set forth in Note 1 to the ANZ Bank NZ Unaudited Financial Statements and the 2022 ANZ Bank NZ Financial Statements, respectively. Management exercises judgement in selecting and applying many of these accounting policies so that they comply with the applicable accounting standards or interpretations and reflect the most appropriate manner in which to record and report on the ANZ Bank NZ Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the ANZ Bank NZ Group's financial position. In addition, the application of new or revised accounting standards or interpretations may adversely affect the ANZ Bank NZ Group's Position.

In some cases, management must select an accounting policy from two or more alternatives, any of which would comply with the relevant accounting standard or the ANZ Bank NZ Group's interpretation and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under the alternative.

General creditors of ANZ Bank NZ, including holders of Notes issued by ANZNIL or ANZ Bank NZ, do not have direct recourse to the assets of the ANZNZ Covered Bond Trust

Under the €8 billion ANZ Bank NZ covered bond program, covered bond investors have full recourse to ANZNIL or ANZ Bank NZ as issuer and ANZ Bank NZ as guarantor and also to a cover pool of assets held by the ANZNZ Covered Bond Trust. The assets of the ANZNZ Covered Bond Trust are made up of certain housing loans and related securities originated by ANZ Bank NZ and are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust of covered bonds issued by ANZ Bank NZ or ANZNIL, from time to time.

As at March 31, 2023, the rights to cash flows associated with housing loans and related securities with a carrying value of NZ$9,818 million or 5.2% of ANZ Bank NZ’s total assets were held in the ANZNZ Covered Bond Trust. The assets of the ANZNZ Covered Bond Trust do not qualify for derecognition as ANZ Bank NZ retains substantially all of the risks and rewards of the transferred assets. Therefore, the establishment of the covered bond program and the ANZNZ Covered Bond Trust do not change ANZ Bank NZ’s financial statements.

The covered bonds are guaranteed by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust under the terms of the covered bond program. All obligations of ANZNIL, as issuer, are guaranteed by ANZ Bank NZ. The assets of the ANZNZ Covered Bond Trust are not available to creditors of ANZ Bank NZ, other than covered bondholders, including holders of Notes issued by ANZNIL or ANZ Bank NZ, although ANZ Bank NZ (or its liquidator or statutory manager) may have a claim against the residual assets of the ANZNZ Covered Bond Trust (if any) after all the claims of prior ranking creditors of the ANZNZ Covered Bond Trust have been satisfied.

Legal and regulatory risk

Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group’s Position

The ANZ Bank NZ Group's businesses and operations are highly regulated. The pace, breadth, complexity and cost of regulatory change has accelerated in recent years. The ANZ Bank NZ Group is subject to a substantial and increasing number of laws, regulations and policies, including industry self-regulation, in the Relevant Jurisdictions in which it carries on business or obtains funding and is supervised by a number of different authorities in each of these jurisdictions. Such regulation, supervision and enforcement continue to evolve.

New Zealand Developments

The New Zealand Government and its agencies, including the RBNZ, the Financial Market Authority (“**FMA**”) and the Commerce Commission, have supervisory oversight over the ANZ Bank NZ Group. Prudential authorities such as the RBNZ have extensive administrative, practical and investigative powers over the ANZ Bank NZ Group’s business.

There have been a series of legislative and regulatory releases from these and other authorities that have proposed, or may result in, significant legal and regulatory changes for financial institutions in New Zealand. For example:

- *Prudential Developments*: The ANZ Bank NZ Group continues to expect increased regulatory focus on capital and liquidity requirements. For example, the RBNZ, APRA, the Basel Committee on Banking Supervision (“**BCBS**”) and regulators in other jurisdictions have revised standards and released discussion papers, proposals and decisions in regard to strengthening the resilience of the banking sector. Further changes to the RBNZ’s prudential standards could restrict the ANZ Bank NZ Group’s flexibility, require it to incur substantial costs and/or impact the profitability of one or more of its business lines, any of which may adversely affect the ANZ Bank NZ Group's Position. For example, the following RBNZ reviews and policies may have a material impact on the ANZ Bank NZ Group’s Position.
    - *Capital Adequacy:* See “—Risks related to the Issuers’ financial situation—Challenges in managing the ANZ Bank NZ Group’s capital base could give rise to greater volatility in capital ratios, which may adversely affect the ANZ Bank NZ Group's Position” and “Supervision and Regulation—Bank capital adequacy requirements” for further discussion.
    - *Liquidity:* The RBNZ’s liquidity policy (“**BS13**”) sets out the RBNZ’s policy on management of liquidity risk by registered banks in New Zealand. In February 2022, the RBNZ began a comprehensive review of BS13. Two rounds of consultation have been completed, and a further two rounds of consultation and a quantitative impact study are planned. An updated liquidity policy is currently scheduled to be released in 2025. See “Supervision and Regulation—RBNZ review of BS13” for further discussion. Future changes to liquidity requirements in New Zealand may adversely affect the ANZ Bank NZ Group’s Position and may result in it incurring substantial costs in order to comply with such changes.
- *Amendments to the Credit Contracts and Consumer Finance Act 2003 (“**CCCFA**”)*: In July 2022, the New Zealand Minister of Commerce implemented further changes to the CCCFA regulations and guidance in the Responsible Lending Code to address unintended impacts caused by recent consumer credit law reforms. Further changes to the CCCFA regulations and guidance in the Responsible Lending Code came into effect in May 2023. See “Supervision and Regulation—Amendments to the CCCFA” for more information.
- *Changes to Conditions of Registration*: ANZ Bank NZ is a registered bank under the BPS Act and is supervised by the RBNZ. As part of its registration, ANZ Bank NZ is subject to Conditions of Registration imposed by the RBNZ. For details of ANZ Bank NZ’s current Conditions of Registration, see “Supervision and Regulation—Conditions of Registration for ANZ Bank New Zealand Limited”. The Conditions of Registration may be changed by the RBNZ at any time, although the RBNZ is required to give ANZ Bank NZ notice and consider submissions made by ANZ Bank NZ prior to any such change. In the event that the RBNZ was to conclude that ANZ Bank NZ did not satisfy its Conditions of Registration, sanctions could be imposed on ANZ Bank NZ by the RBNZ. This may result in a range of possible consequences, including changes to ANZ Bank NZ’s Conditions of Registration. The impact of such consequences may adversely affect the ANZ Bank NZ Group’s Position.
- *Changes to IRB Accreditation*: ANZ Bank NZ has received RBNZ accreditation as an advanced internal ratings-based (“**IRB**”) approach bank under the principles laid out by the BCBS in respect of Basel III, except for Operational Risk Capital (“**ORC**”), which is calculated in accordance with BPR150 from October 1, 2021. That accreditation is subject

to certain requirements which have been incorporated into the current Conditions of Registration. ANZ Bank NZ is reviewed by both the RBNZ and APRA in terms of maintaining that accreditation. Changes to ANZ Bank NZ's accreditation may adversely affect the ANZ Bank NZ Group's Position.

- *Conduct Regulations for Financial Institutions:* The Financial Markets (Conduct of Institutions) Amendment Act 2022 ("**FMCIA Act**") was enacted in June 2022. It is expected to come into force in early 2025 and will implement a broad conduct regime for financial institutions that can be expanded over time with further obligations on regulated entities. As of the date of this Offering Memorandum, further regulation and consultation are indicated and therefore it is uncertain what impact the FMCIA Act will have on ANZ Bank NZ. However, it could result in increased compliance costs and/or liability in the case of non-compliance, which may adversely affect the ANZ Bank NZ Group's Position. See "Supervision and Regulation—Conduct regulations for financial institutions" for further discussion.
- *Review of the Reserve Bank Act:* The Reserve Bank Act, which has been renamed the BPS Act, is being replaced with two separate pieces of legislation: the Reserve Bank of New Zealand Act 2021, which fully commenced in July 2022, and the Deposit Takers Act, which is yet to be enacted. Until the Deposit Takers Bill is enacted, the current regulatory framework for banks will continue under the BPS Act. As at the date of this Offering Memorandum, it is uncertain what impact these legislative changes may have on the ANZ Bank NZ Group. However, changes to the RBNZ's supervision and regulation of deposit takers, and other changes contained in the new legislation, may impact the ANZ Bank NZ Group's Position. See "Supervision and Regulation—Review of the Reserve Bank Act" for further discussion.
- *Open Banking:* Emerging fintechs and banks partnering to develop a framework that provides third-party financial service providers open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions may lead to increased competition, which could result in weakening the profitability of banks that are slow to adapt to the changing financial system landscape. At the date of this Offering Memorandum, there is no regulatory requirement to provide third-party financial service providers open access to consumer banking, transaction, and other financial data held by registered banks in New Zealand. The New Zealand Government announced in July 2021 that a Consumer Data Right will be established in New Zealand. The New Zealand Government intends to issue an exposure draft of the related Bill for public consultation during 2023, before it is introduced into Parliament.

Such changes may adversely affect the ANZ Bank NZ Group, potentially impacting its corporate structures, businesses, strategies, capital, liquidity, funding and profitability, cost structures, and the cost and access to credit for its customers and the wider economy. This in turn may adversely affect the ANZ Bank NZ Group's Position. For further information, see "Supervision and Regulation."

Other Offshore Developments

Other offshore regulatory developments include the discontinuation of LIBOR, the reform of certain other benchmark rates and the transition to alternative benchmark rates. For more information, see "—Risks related to the Issuers' business activities and industry—The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the ANZ Bank NZ Group's securities issuances and its capital markets and investment activities."

A failure by the ANZ Bank NZ Group to comply with laws, regulations or policies in any of the Relevant Jurisdictions could result in regulatory investigations, legal or regulatory sanctions, financial or reputational loss, litigation, fines, penalties, restrictions on the ANZ Bank NZ Group's ability to do business, revocation, suspension or variation of conditions of relevant regulatory licenses or other enforcement or administrative action or agreements (such as enforceable undertakings) that may adversely affect the ANZ Bank NZ Group's Position.

Such failures may also result in the ANZ Bank NZ Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the ANZ Bank NZ Group's litigation and contingent liabilities, see "—Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group's Position" and Note 10 to the ANZ Bank NZ Unaudited Financial Statements (included as part of Annex A to this Offering Memorandum). In jurisdictions where regulatory requirements do not apply directly to the ANZ Bank NZ Group, it may nonetheless be indirectly impacted by the regulatory requirements of its ultimate parent company as at the date of this Offering Memorandum, ANZGHL, or counterparties that are established in, or otherwise subject to the requirements of, those jurisdictions.

Details regarding any material contingent liabilities for ANZ Bank NZ and its subsidiaries as at March 31, 2023 are contained in Note 10 to the ANZ Bank NZ Unaudited Financial Statements (included as part of Annex A to this Offering Memorandum).

As at the date of this Offering Memorandum, it is uncertain what impact any further developments in these areas may have on the ANZ Bank NZ Group. However, heightened scrutiny of the financial services industry in New Zealand and Australia (for example, the recent actions taken by New Zealand regulators with respect to certain aspects of the ANZ Bank NZ Group's affairs) could lead to enforcement actions and additional costs that could adversely impact the ANZ Bank NZ Group's Position.

For more information in relation to the supervision and regulation of ANZ Bank NZ, see "Supervision and Regulation".

Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group's Position

From time-to-time, the ANZ Bank NZ Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities, which may adversely affect its Position. Details regarding the ANZ Bank NZ Group's material contingent liabilities as at March 31, 2023 are contained in Note 10 to the ANZ Bank NZ Unaudited Financial Statements (included as part of Annex A to this Offering Memorandum). Note 10 includes, among other things, a description of loan information litigation. Details regarding the ANZ Bank NZ Group's material contingent liabilities as at September 30, 2022 are contained in Note 27 to the 2022 ANZ Bank NZ Financial Statements (included as part of Annex A to this Offering Memorandum).

The ANZ Bank NZ Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities in New Zealand and globally. The ANZ Bank NZ Group has received various notices and requests for information from its regulators as part of both industry-wide and ANZ Bank NZ Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide-ranging and, for example, may include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

There is a risk that contingent liabilities may be larger than anticipated or that additional litigation, regulatory actions, legal or arbitration proceedings or other contingent liabilities may arise.

Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the ANZ Bank NZ Group's Position

Anti-money laundering ("**AML**"), counter-terrorism financing ("**CTF**") and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the ANZ Bank NZ Group operates has heightened these operational and compliance risks. Furthermore, the increased transparency of the outcomes of compliance issues at financial institutions both domestically and globally and the related fines and settlement sums mean that these risks continue to be an area of focus for the ANZ Bank NZ Group.

As a result of the current conflict in Ukraine, there is an unprecedented volume of sanctions being applied to Russia, and potentially other governments, by regulators around the globe. While many governments across New Zealand, the United States, Europe and Australia are largely united as regards to the intended sanctions targets, the nuances and specific restrictions are not fully aligned. Furthermore, many corporate institutions around the world are assessing their risk appetite regarding ongoing business activity with or in Russia or with Russian owned entities. This has heightened the operational and compliance risks in navigating those transactions and dealings that are considered lawful, or within other counterparties' risk appetite. This situation is expected to continue for the medium term, and to increase as the conflict in the region persists.

The RBNZ has stated that its appetite for taking formal enforcement action for breaches of the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 has increased, and the propensity for other regulators (including in Asia and the Pacific) to take action for non-compliance with their local AML/CTF laws has increased.

In 2021, ANZ Bank NZ self-identified and notified three prescribed transaction reporting ("**PTR**") matters to the RBNZ, where transaction reports had not been filed within the prescribed timeframe. The RBNZ informed ANZ Bank NZ that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 relating to PTR. The RBNZ's enforcement team reviewed the matter and released a public statement on April 27, 2023. The statement advised that the RBNZ now considers the investigation closed. No monetary or other penalty will be applied, although additional short-term reporting obligations within the area at fault will be applied to ensure that remediation activities have been effective.

Close monitoring of the levels and types of financial crimes continues across the ANZ Bank NZ Group. To date, the most notable impact has been the changing types of scams with criminals targeting vulnerable customers, identity theft and false applications for Government support and a significant increase in scams occurring concurrently with the Russia-Ukraine crisis. As these known external elements evolve and to the extent new risks emerge, there is a continuing risk that the management of alerts for potential money laundering or terrorism financing activities may be impacted.

The risk of non-compliance with AML/CTF and sanction laws remains high given the scale and complexity of the ANZ Bank NZ Group. Emerging technologies, such as those provided by virtual asset service providers (e.g., digital currency exchanges and wallet providers) as well as increasingly complex remittance arrangements via fintechs and other disruptors, may limit the ANZ Bank NZ Group's ability to track the movement of funds, develop relevant transaction monitoring, and meet reporting obligations. Additionally, the complexity of the ANZ Bank NZ Group's technology, and the increasing frequency of changes to systems that play a role in AML/CTF and sanctions compliance puts the ANZ Bank NZ Group at risk of inadvertently failing to identify an impact on the systems and controls in place. A failure to operate a robust program to report the movement of funds, combat money laundering, terrorism financing, and other serious crimes may have serious financial, legal and reputational consequences for the ANZ Bank NZ Group and its employees.

Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. These consequences, individually or collectively, may adversely affect the ANZ Bank NZ Group's Position. The ANZBGL Group's foreign operations may place the ANZBGL Group under increased scrutiny by regulatory authorities, and subject the ANZBGL Group, including the ANZ Bank NZ Group, to increased compliance costs.

Changes in monetary policies may adversely affect the ANZ Bank NZ Group's Position

Central monetary authorities (including the RBNZ, the Reserve Bank of Australia, the U.S. Federal Reserve, the Bank of England and the monetary authorities in the Asian jurisdictions in which the ANZ Bank NZ Group operates) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. In addition, in some jurisdictions, currency policy is used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the ANZ Bank NZ Group's cost of funds for lending and investing and the return that it will earn on those loans and investments. These factors impact the ANZ Bank NZ Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the ANZ Bank NZ Group's borrowers, potentially increasing the risk that they may fail to repay loans.

Changes in interest rates and monetary policy are difficult to predict and may adversely affect the ANZ Bank NZ Group's Position.

Ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information (AEoI) obligations imposed by global customer tax transparency regimes may adversely affect the ANZ Bank NZ Group's Position

There continues to be mandatory and substantial changes to, and increasing regulatory focus on, compliance by all global Financial Institutions ("**FIs**"), including the ANZ Bank NZ Group, with global customer tax transparency regimes, under the

Foreign Account Tax Compliance Act ("**FATCA**"), the OECD's Common Reporting Standard ("**CRS**") and similar anti-tax avoidance regimes. This includes global regulatory movement to enforcement and penalty activities and increasing regulatory implementation of additional compliance framework requirements, compliance assessment requirements/questionnaires, onsite financial institution audits/evidentiary requirements and detailed rules and frameworks to close down circumventions and deter, detect and penalize non-compliance.

The ongoing OECD government level peer reviews and Internal Revenue Service ("**IRS**")/regulatory FI compliance review/audit requirements increase scrutiny and therefore unplanned workload of FIs globally. Each country of CRS adoption is being pushed by the OECD to ensure its penalty regime is sufficient to deter and penalize non-compliance.

Consequently, as an in scope FI, operating in a globally interlinked operating environment, the highly complex and rigid nature of the obligations under each country's varied implementation of these regimes present heightened operational and compliance risks for the ANZ Bank NZ Group. As regulators around the world continue to mature their compliance framework requirements and shift focus to enforcement, including financial penalties and other more general tax risk framework implications, this may result in significant penalty provision requirements and reputational damage in the event of failures. Accordingly, compliance with global customer tax transparency regimes continues to be a key area of focus and major cost for the ANZ Bank NZ Group.

In addition, under FATCA and other relevant U.S. Treasury regulations, the ANZ Bank NZ Group could be subject to:

- a 30% withholding tax on certain amounts (including amounts payable to customers), and be required to provide certain information to upstream payers, as well as other adverse consequences, if the ongoing detailed obligations are not adequately met; and
- broader compliance issues, significant withholding exposure, competitive disadvantage and other operational impacts if the FATCA Intergovernmental Agreements between the United States and the applicable jurisdictions in which the ANZ Bank NZ Group operates cease to be in effect.

Under the CRS, the ANZ Bank NZ Group:

- faces challenges in developing countries where the ANZ Bank NZ Group has operations, such as the Pacific region. The local regulators in these countries are generally assisted by a 'partner' country; this is leading to the introduction of standards and evidentiary requirements that continue to be challenging to implement and adhere to;
- must deal with substantial ongoing country specific variations in local law and regulatory implementation, with significant broader 'justified trust' ramifications and penalties for non-collection or failed reporting in respect of prescribed customer information;
- along with other FIs, is under increasingly stringent regulatory scrutiny and measures as regulators have turned their focus from the initial establishment of the CRS to the effectiveness of FI implementation. This tightening of the regulatory focus (along with the potential FI ramifications outlined above) can lead to significant negative experience for affected customers (including unilateral account blocking and closure, underlying client issues resulting from the same and potential direct customer penalties), which may adversely affect the ANZ Bank NZ Group's Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage and loss of business;
- faces poor customer outcomes with customers who may feel aggrieved as a result of blocking and closure impacts including increased potential exposure to legal/third party liability, particularly where the ANZ Bank NZ Group has not communicated the regulatory issue clearly to a customer or has blocked or closed the account incorrectly (for example, due to a data or process error); and
- continues to deal with the substantive implementation challenges associated with the complex requirements across the intermediary space, which may also increase the risk of regulatory ramifications.

The scale and complexity of the ANZ Bank NZ Group, like other FIs, means that the risk of inadvertent non-compliance with the FATCA, CRS and other tax reporting regimes is high. In addition, the ongoing loss of key resources and critical subject matter expertise, combined with the ongoing subsequent challenges of finding sufficiently qualified replacements increases the risk of inadvertent non-compliance with the breadth and detail of the obligations. A failure to successfully operate the implemented processes or to identify and implement all obligations could lead to legal, financial and reputational consequences for the ANZ Bank NZ Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

On a global scale, natural disasters and COVID-19 have resulted in challenges for staff including unplanned staff absences, access to systems, tools and information, and have impacted the delivery of the ANZ Bank NZ Group's regulatory obligations on requisite timeframes, including mandatory FATCA and CRS regulatory reporting, customer follow-up strategies, resolution and action of regulatory recommendations, as well as continuous improvement activities required to achieve the zero rate of error expected by regulators. The ANZ Bank NZ Group's global taxation obligations in relation to the enterprise's own tax lodgments and payments may similarly be impacted. Initial leniency from global regulators continues to be tightened or withdrawn due to the expectation for FIs to adapt to the ongoing challenges presented by external factors such as COVID-19, further heightening the risk of additional regulatory scrutiny, associated penalties and reputational ramifications resulting from any deficiencies or delays in meeting regulatory obligations to the level of quality and within the timeframes required.

These consequences, individually or collectively, may adversely affect the ANZ Bank NZ Group's Position.

Internal control, operations and reputational risk

Operational risk events may adversely affect the ANZ Bank NZ Group's Position

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people, and/or systems, but excludes strategic risk.

Operational risk categories under ANZ Bank NZ Group's risk taxonomy include:

- Financial Crime (the risk of money laundering, sanctions violations, bribery and corruption, and "Know-Your-Customer" failure). See risk factor "—Legal and regulatory risk—Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the ANZ Bank NZ Group's Position";
- Internal fraud (fraud attempted or perpetrated by an internal party (or parties) against the organization);
- External fraud and theft (fraud attempted or perpetrated against the organization by an external party (i.e., a party without a direct relationship to ANZ Bank NZ Group (excluding customers) without involvement of an employee));
- Business Continuity (failure of the business continuity management framework);
- Physical Safety (the risk of damage to ANZ Bank NZ Group's physical assets, client assets, or public assets for which ANZ Bank NZ Group is liable, and (criminal) injury to ANZ Bank NZ Group's employees or affiliates);
- People (the risk of breaching employment legislation, mismanaging employee relations and failing to ensure a safe working environment);
- Transaction Processing & Execution (failure to process, manage and execute transactions and/or other processes correctly and/ or appropriately);
- Technology (the risk associated with the failure or outage of systems, including hardware, software and networks). See risk factor "—Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the ANZ Bank NZ Group's business, which may adversely affect the ANZ Bank NZ Group's Position";
- Conduct (the risk of loss or damage arising from the failure of ANZ Bank NZ Group, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in conducting ANZ Bank NZ Group business activities). See risk factor "—Conduct risk events may adversely affect the ANZ Bank NZ Group's Position";
- Legal (the risk of execution errors in legal procedures and processes);
- Regulatory Risk (failure to comply with any legal or regulatory obligations that are not captured through other mentioned risks). See risk factor "—Legal and regulatory risk—Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group's Position";
- Third Party (the risk of failing to manage third party relationships and risks appropriately, for example, not taking reasonable steps to identify and mitigate additional operational risks resulting from the outsourcing of services or functions);
- Information Security including Cyber (the risk of information security incidents, including the loss, theft or misuse of data/information—this covers all types of data, and can include the failure to comply with rules concerning information security). See risk factor "—Risks associated with information security including cyber-attacks, may adversely affect the ANZ Bank NZ Group's Position";
- Data Management (the risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data and ANZ Bank NZ Group's proprietary data (including data privacy)). See risk factor "—Data management risks may adversely affect the ANZ Bank NZ Group's Position";
- Model (the risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model). See risk factor "—Modelling risks may adversely affect the ANZ Bank NZ Group's Position"; and
- Statutory Reporting and Tax (the risk of failing to meet statutory reporting and tax payments/filing requirements). Statutory reporting includes all external reporting that ANZ Bank NZ Group is obliged to perform (e.g., regulatory reporting, financial reporting).

Loss from operational risk events may adversely affect the ANZ Bank NZ Group's Position. Such losses can include fines, penalties, imposts (including capital imposts), loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputation loss, loss of life or injury to people, and loss of property and/or information.

Operational Risk can arise from a number of causes, such as change risk events (for example, a failure to deliver a change or risks resulting from change initiatives), and have a number of different impacts, including reputational impacts (see risk factor, "—Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the ANZ Bank NZ Group's brand and adversely affect the ANZ Bank NZ Group's Position").

Pursuant to RBNZ requirements, the ANZ Bank NZ Group must also maintain "operational risk capital" reserves in the event future operational events occur.

Most major offices have returned to a blended/hybrid working environment, including adapting to remote working arrangements since COVID-19. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability.

Whilst business continuity plans have been well tested and refined during the pandemic, impact to system/service availability still has the ability to impact the ANZ Bank NZ Group's Position from a reputational, financial and compliance perspective.

Should the ANZ Bank NZ Group increase the adoption of artificial intelligence ("**AI**"), which includes technologies such as machine learning through predictive analytics, process automation and decision generation, to support its customers and business processes, the ANZ Bank NZ Group may become more exposed to associated AI risks, such as lack of transparency, inaccurate decisions or unintended consequences that are inconsistent with the ANZ Bank NZ Group's policies or values. These could have adverse financial, legal and reputational consequences for the ANZ Bank NZ Group.

Human Capital Risk, which relates to the inability to attract, develop, motivate and retain the ANZ Bank NZ Group's people to meet current and future business needs, could result in poor financial and customer outcomes

and reduce the ability of the ANZ Bank NZ Group to deliver against customer and other stakeholders' expectations

Key executives, employees and directors play an integral role in the operation of the ANZ Bank NZ Group's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or the ANZ Bank NZ Group's failure given the challenges in the current environment to recruit, develop and retain an appropriately skilled and qualified person into these roles particularly in areas such as digital, technology, risk or compliance, could have an adverse effect on the ANZ Bank NZ Group's Position. These risks may be further exacerbated by the ongoing impacts of COVID-19, including on employee well-being, social and employment choices.

Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the ANZ Bank NZ Group's brand and adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group's reputation is a valuable asset and a key contributor to the support that it receives from the community in respect of its business initiatives and its ability to raise funding or capital.

Reputational risk may arise as a result of an external event or the ANZ Bank NZ Group's actual or perceived actions and practices, which include operational and regulatory compliance failures. The occurrence of such events may adversely affect perceptions about the ANZ Bank NZ Group held by the public (including the ANZ Bank NZ Group's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on the ANZ Bank NZ Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the ANZ Bank NZ Group's Position.

The ANZ Bank NZ Group may incur reputational damage where one of its practices fails to meet community expectations which are continually changing and evolving. As these expectations may exceed the standard required in order to comply with applicable law, the ANZ Bank NZ Group may incur reputational damage even where it has met its legal obligations. A divergence between community expectations and the ANZ Bank NZ Group's practices could arise in a number of ways, including in relation to its product and services disclosure practices, pricing policies and use of data. Further, the ANZ Bank NZ Group's reputation may also be adversely affected by community perception of the broader financial services industry, particularly in an environment of rising interest rates. Additionally, reputational damage may also arise from the ANZ Bank NZ Group's failure to effectively manage risks, enforcement or supervisory action by regulators, adverse findings from regulatory reviews and failure or perceived failure to adequately respond to community, environmental and ethical issues.

Operational and regulatory compliance failures or perceived failures may give rise to reputational risk. Such operational and regulatory compliance failures include, but are not limited to:

- failure to comply with the ANZ Bank NZ Group's Conditions of Registration;
- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- failure to comply with disclosure obligations;
- failure to properly manage risk (e.g., credit, market, operational or compliance);
- market manipulation or anti-competitive behavior;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks.

Damage to the ANZ Bank NZ Group's reputation may have wide-ranging impacts, including adverse effects on the ANZ Bank NZ Group's profitability, capacity and cost of funding, increased regulatory scrutiny, regulatory enforcement actions, additional legal risks and limiting the availability of new business opportunities. The ANZ Bank NZ Group's ability to attract and retain customers could also be adversely affected if the ANZ Bank NZ Group's reputation is damaged, which may adversely affect the ANZ Bank NZ Group's Position.

Contagion and reputational risk events may adversely affect the ANZ Bank NZ Group's Position and ability to access the capital markets on favorable terms

As the ANZ Bank NZ Group is part of a larger business group, the ANZ Bank NZ Group is vulnerable to financial and reputational damage by virtue of its association with other members of the ANZ Group, any of which may suffer the occurrence of a risk event. In the case of the ANZ Bank NZ Group, the damage may be financial and may materially impact its results if financial resources are withdrawn by ANZBGL to support the ANZ Bank NZ Group or another member of the ANZ Group. Reputational risk may also arise as a result of a contagion event or as a result of the ANZ Bank NZ Group's own actions. The reputational consequences (including damage to the ANZ Group franchise) of the occurrence of a risk event, for example a major operational failure or litigation, may exceed the direct cost of the risk event itself and may have a material impact on the ANZ Bank NZ Group's Position.

Conduct risk events may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group defines conduct risk as the risk of loss or damage arising from the failure of its business, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets, and the expectations of the community in conducting the ANZ Bank NZ Group's business activities.

Conduct risks include:

- the provision of unsuitable or inappropriate advice to customers;
- the representation of, or disclosure about, a product or service which is inaccurate, or does not provide adequate information about risks and benefits to customers;
- a failure to deliver product features and benefits in accordance with terms, disclosures, recommendations and/or advice;
- a failure to appropriately avoid or manage conflicts of interest;
- inadequate management of complaints or remediation processes;
- a failure to respect and comply with duties to customers in financial hardship; and
- unauthorized trading activities in financial markets, in breach of the ANZ Bank NZ Group's policies and standards.

There has been an increasing regulatory and community focus on conduct risk, including in New Zealand and Australia. Financial pressure is building for customers with the rising cost-of-living and reduction in disposable income creating pressure on affordability. This may impact both the ability to lend to customers, the extent to which forbearance may need to be offered to those already struggling and the willingness of qualified potential borrowers to borrow. Furthermore, it is expected to increase the number of customers that may fall into financial difficulty, and therefore increase the credit risk facing the ANZ Bank NZ Group. As this occurs, it is likely to have the greatest impact on customers in challenging financial circumstances. This is an evolving and fluid situation, and the ANZ Bank NZ Group will need to continue to adapt and respond to address both the increased demand for forbearance, coupled with the need to provide appropriate tailored solutions to address complex customer needs in order to mitigate the risk of customer harm because of this ongoing pressure on affordability.

The ANZ Bank NZ Group has a centralized and dedicated team tasked with undertaking a variety of customer remediation programs, including to address specific conduct issues identified in ANZ Bank NZ Group reviews. Conduct risk events may expose the ANZ Bank NZ Group to regulatory actions, restrictions or conditions on banking licenses and/or reputational consequences that may adversely affect the ANZ Bank NZ Group's Position. It is possible that remediation programs may not be implemented appropriately or may lead to further remediation work being required, resulting in litigation, regulatory action and/or increasing cost to the ANZ Bank NZ Group, all of which may adversely affect the ANZ Bank NZ Group’s Position.

For further discussion of the increasing regulatory focus on conduct risk, see “—Legal and regulatory risk—Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ Bank NZ Group’s Position” and “—Legal and regulatory risk—Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group’s Position”.

Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the ANZ Bank NZ Group’s business, which may adversely affect the ANZ Bank NZ Group’s Position

The ANZ Bank NZ Group’s day-to-day activities and its service offerings (including digital banking) are highly dependent on information technology (“**IT**”) systems. Disruption of IT systems, or the services the ANZ Bank NZ Group uses or is dependent upon, may result in the ANZ Bank NZ Group failing to meet its compliance obligations and/or customers' banking needs. In a digital world, customer's expectations of always on (24/7) banking services necessitates highly available and resilient IT systems.

The ANZ Bank NZ Group has an ongoing obligation to maintain its IT systems and to identify, assess and respond to risk exposures associated with these systems, including IT asset lifecycle, IT asset project delivery, technology resilience, technology security, use of third parties, data retention/restoration and business rules and automation. Inadequate responses to these risk exposures could lead to unstable or insecure systems, which could adversely impact customers, increase the ANZ Bank NZ Group’s costs, and result in non-compliance with regulatory requirements, any of which may adversely affect the ANZ Bank NZ Group’s Position.

The ANZ Bank NZ Group has incident response, disaster recovery and business continuity measures in place designed to ensure that critical IT systems will continue to operate during both short-term and prolonged disruption events for all businesses across the ANZ Bank NZ Group’s network, including ANZ Bank NZ and international branches, which rely on the ANZBGL Group to provide a number of IT systems. A failure of the ANZ Bank NZ Group’s systems may affect the ANZ Bank NZ Group's network, which may in turn adversely affect the ANZ Bank NZ Group’s Position. COVID-19 has highlighted that these arrangements must cater for vast and improbable events, and ensure critical information systems can be supported and accessed remotely by a large number of technologists and business users for extended periods. If such measures cannot be effectively implemented, this may adversely affect the ANZ Bank NZ Group's Position.

In addition, the ANZ Bank NZ Group must implement and integrate new IT systems, most notably Cloud, Data and Automation technologies, into the existing technology landscape to ensure that the ANZ Bank NZ Group’s technology environment is cost-effective and can support evolving customer requirements. Inadequate implementation and integration of these systems, or improper operation and management, including of their vendors and the supply chain, may adversely affect the ANZ Bank NZ Group's Position.

In addition, ANZ Bank NZ Group relies on ANZBGL Group to provide a number of IT systems. A failure of the ANZBGL Group’s systems may affect the ANZ Bank NZ Group, which may in turn, adversely affect the ANZ Bank NZ Group’s Position.

This risk factor should be read in conjunction with the risk factor entitled “—Risks associated with information security including cyber-attacks, may adversely affect the ANZ Bank NZ Group’s Position” as information security breaches and cyber-attacks have the potential to result in the disruption of information technology systems.

Risks associated with information security including cyber-attacks, may adversely affect the ANZ Bank NZ Group’s Position

The primary focus of information security is to protect information and technology systems from disruptions to confidentiality, integrity or availability. As a bank, the ANZ Bank NZ Group handles a considerable amount of personal and confidential information about its customers and its own internal operations, from the multiple geographies in which the ANZ Bank NZ Group operates. This information is processed and stored on both internal and third party hosted environments. Any failure of security controls operated by the ANZ Bank NZ Group or its third parties could adversely affect the ANZ Bank NZ Group's business.

In September 2021, the ANZ Bank NZ Group was subjected to a sophisticated and sustained distributed denial of service ("**DDoS**") attack against some of the ANZ Bank NZ Group's online customer-facing services. No customer data was compromised, however service availability was intermittent as the ANZ Bank NZ Group responded to the DDoS attack. The extended period of attack (including against other business entities in New Zealand) did result in rising customer frustration, which was exacerbated by increased call waiting times as call volumes rose within the contact center. The ANZ Bank NZ Group's response to the incident was effective as a result of a well-prepared cyber-incident response playbook and active collaboration between technical specialists, executives and external vendors. The ANZ Bank NZ Group took some additional actions to strengthen its security capabilities as an outcome of the incident and continues to monitor its external environment as part of standard security practices. However, no assurance can be provided that ANZ Bank NZ Group's cyber incident responses will be successful in deterring future cyber-attacks.

Information security risks for large financial institutions such as the ANZ Bank NZ Group have increased significantly in recent years in part because of the proliferation of new technologies, such as the internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. The ANZ Bank NZ Group is conscious that cyber threats, such as advanced persistent threats, distributed denial of service, malware and ransomware, are continuously evolving, becoming more sophisticated and increasing in volume. As cyber threats continue to evolve, the ANZ Bank NZ Group expects to continue to adapt, modify or enhance layers of defense or to investigate and remediate any information security vulnerabilities. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones.

Post COVID-19, hybrid working has increased the number of staff working in flexible arrangements, which may increase information security risks to the ANZ Bank NZ Group. Cyber criminals may attempt to take advantage through pursuing exploits in end point security, spreading malware, and increasing phishing attempts. Furthermore, these risks may be further exacerbated by geopolitical risks.

Additionally, failures in the ANZ Bank NZ Group's cybersecurity policies, procedures or controls, could result in loss of data or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these events could result in significant financial losses (including costs relating to notification of, or compensation for customers), regulatory investigations or sanctions or may affect the ANZ Bank NZ Group's ability to retain and attract customers, and thus may adversely affect the ANZ Bank NZ Group's Position.

Data management risks may adversely affect the ANZ Bank NZ Group's Position

Data management processes include capturing, processing, distributing, accessing, retaining and disposing of large quantities of data, including sensitive data. Data management is reliant on the ANZ Bank NZ Group's systems and technology. Data quality management is a key area of focus, as data is relied on to assess various issues and risk exposures. Any deficiencies in data quality, or the effectiveness of data gathering, analysis and validation processes, or failure to appropriately manage and maintain the ANZ Bank NZ Group's data, systems and technology, could result in ineffective risk management practices and inaccurate risk reporting which may adversely impact the ANZ Bank NZ Group's Position. Furthermore, failure to comply with data management obligations, including regulatory obligations may cause the ANZ Bank NZ Group to incur losses, or result in regulatory action.

Modelling risks may adversely affect the ANZ Bank NZ Group's Position

As a large financial institution, the ANZ Bank NZ Group relies on a number of models for material business decision making including but not limited to lending decisions, calculating capital requirements, provision levels, customer compensation payments and stressing exposures. If the models used prove to be inadequately designed, implemented or maintained or based on incorrect assumptions or inputs this may adversely impact the ANZ Bank NZ Group's Position.

Environmental, social and governance risks

Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group and its customers are exposed to environmental, social and governance risks, including climate-related events, geological events (including volcanic or seismic activity or tsunamis), biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss, plant, animal and human diseases or a pandemic such as COVID-19 and human rights risks. Each of these can cause significant impacts on the ANZ Bank NZ Group's operations and its customers.

Climate-related events can include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The impact of these events can be widespread, extending beyond primary producers to customers of the ANZ Bank NZ Group who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities. The impact of these losses on the ANZ Bank NZ Group may be exacerbated by a decline in the value and liquidity of assets held as collateral, which may impact the ANZ Bank NZ Group's ability to recover its funds when loans default.

Examples of climate-related events include the recent Auckland floods (in January 2023) and Cyclone Gabrielle (in February 2023), and examples of geological events are the major earthquakes in the Canterbury area (in September 2010 and February 2011) and Kaikoura area (in November 2016). A reduction in the value of New Zealand residential and commercial property (including the ability to insure property that could result in a reduction in the security values) as a result of climate-related or geological events could increase provisioning and lending losses, which would adversely affect the ANZ Bank NZ Group's Position.

The risk of biodiversity loss, as a result of species extinction or decline, ecosystem degradation and nature loss, is an emerging risk that the ANZ Bank NZ Group is seeking to understand further. Biodiversity risks are closely linked to climate-related risks. In relation to biodiversity, risks can arise from lending to customers that are significantly dependent on biodiversity and ecosystem services, or who may have negative impacts on biodiversity. In addition to physical risks associated with biodiversity loss, risks can also arise from changing societal preferences and regulatory or policy changes (including potential reforms to halt and reverse forest loss, species extinctions and land degradation). These changes may impact the bank directly, but the greater impact is likely to be through the impact of these changes on some of the ANZ Bank NZ Group's customers. The ANZ Bank NZ Group understands that failure to manage these risks may lead to financial and non-financial risks and may adversely affect the ANZ Bank NZ Group's Position.

Human rights risks can relate to the safety and security of the ANZ Bank NZ Group's people, labor rights, modern slavery, privacy and consumer protection, corruption and bribery and land rights. The ANZ Bank NZ Group uses risk-based due diligence to identify human rights risks and impacts associated with its business relationships. Failure to manage these risks may result in adverse impacts to the ANZ Bank NZ Group's Position.

New regulations or guidance relating to climate change, biodiversity, human rights, or other environmental, social or governance risks, as well as the perspectives of shareholders, employees and other stakeholders, may affect whether and on what terms and conditions the ANZ Bank NZ Group engages in certain activities or offers certain products.

Depending on their frequency and severity, these extrinsic events may continue to interrupt or restrict the provision of some local services such as the ANZ Bank NZ Group branch or business centers, and may also adversely affect the ANZ Bank NZ Group's financial condition or collateral position in relation to credit facilities extended to customers, which in turn may adversely affect the ANZ Bank NZ Group's Position.

The ANZ Bank NZ Group's risk management framework may fail to manage all existing risks appropriately or detect new and emerging risks fast enough, which could adversely affect the ANZ Bank NZ Group's Position

Risk management is an integral part of the ANZ Bank NZ Group's activities and includes the identification, measurement, monitoring and mitigation of the ANZ Bank NZ Group's risk and reporting on the ANZ Bank NZ Group's risk profile and effectiveness of identified controls. However, there can be no assurance that the ANZ Bank NZ Group's risk management framework will be effective in all instances including in respect of existing risks, or new and emerging risks that the ANZ Bank NZ Group may not anticipate or identify in a timely manner and/or for which its controls may not be effective. Failure to manage risks effectively could adversely impact the ANZ Bank NZ Group's reputation or compliance with regulatory obligations.

The effectiveness of the ANZ Bank NZ Group's risk management framework is also connected to the establishment and maintenance of a sound risk management culture, which is supported by appropriate remuneration structures. A failure in designing or effectively implementing appropriate remuneration structures, could have an adverse impact on the ANZ Bank NZ Group's risk culture and effectiveness of the ANZ Bank NZ Group's risk management frameworks.

The ANZ Bank NZ Group seeks to continuously improve its risk management frameworks. It has implemented, and regularly reviews, its risk management policies and allocates additional resources across the ANZ Bank NZ Group to manage and mitigate risks. However, such efforts may not insulate the ANZ Bank NZ Group from future instances of misconduct and no assurance can be given that the ANZ Bank NZ Group's risk management framework will be effective. A failure in the ANZ Bank NZ Group's risk management processes or governance could result in the ANZ Bank NZ Group suffering unexpected losses and reputational damage, and failing to comply with regulatory obligations, which could adversely affect the ANZ Bank NZ Group's Position.

Risks associated with lending to customers that could be directly or indirectly impacted by climate risk may adversely affect the ANZ Bank NZ Group's Position

The ANZ Bank NZ Group's most material climate-related risks are associated with lending to business and retail customers which contributes to credit risk. Customers may be affected directly by physical and transition risks such as: from the effect of extreme weather events on a customer's business or property, including impacts to the cost and availability of insurance and insurance exclusions; changes to the regulatory and policy environment in which the customer operates; disruption from new technology; and changes in demand towards low carbon products and services. Climate-related risks may also indirectly affect a customer through impacts to its supply chain.

If realized, these risks may affect the ability of customers in higher risk sectors and regions to repay debt, resulting in an increased probability of default and impacting the amount the ANZ Bank NZ Group is able to recover due to the value or liquidity of collateral held as security being impaired. The ANZ Bank NZ Group may also face legal proceedings and suffer reputational damage if it acts inconsistently with public commitments or stakeholder expectations. These may adversely affect the ANZ Bank NZ Group's Position.

The risks associated with climate change are subject to increasing regulatory, political and societal focus. The RBNZ released its first Climate Change Report in October 2021. The Climate Change Report outlined the RBNZ's approach to climate change, including future actions to further incorporate climate change into stress testing and embed climate change into supervisory frameworks, data collection and internal planning. The RBNZ opened a public consultation in March 2023 on its proposed Guide to Managing Climate-Related Risks.

In 2022 the five largest New Zealand banks undertook a climate sensitivity analysis at the RBNZ's request. The analysis focused on (i) the risks of sea level rise nationwide and inland flooding in Auckland to residential mortgages and (ii) the risks of drought or a change in carbon price to dairy, sheep and beef farming. The results of the residential mortgage flooding analysis were published in March 2023 and show that looking at each hypothetical shock in isolation, the banks' capital ratios are largely resilient to flood sensitivities. The results also indicate that there is a relatively small proportion of banks' value of residential mortgages exposed to significant sea level rise and this is reflected in the size of provisions. However, there are potential areas of geographic concentration risk with nearly one quarter of banks' residential mortgage exposures in Auckland "at-risk" to a 1-in-100 year rainfall flood event. Results varied across banks, highlighting the exploratory nature of the exercise.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 will require ANZ Bank NZ and ANZ New Zealand Investments Limited, as 'climate reporting entities', to annually prepare, seek independent assurance for and make public disclosures on the management of, and effects of climate change to their business, in accordance with climate-related disclosure standards, issued by the New Zealand External Reporting Board. The first disclosures will be due for the financial year ending September 30, 2024. Embedding climate change risk into the ANZ Bank NZ Group's risk management framework, and adapting the ANZ Bank NZ Group's operations and business strategy to address both the risks and opportunities posed by climate change and the transition to a low carbon economy could have a significant impact on the ANZ Bank NZ Group.

Risks relating to the Notes

Investors may be subject to loss of some or all of their investment if any Obligor is subject to bankruptcy or insolvency proceedings or some other event occurs which impairs the ability of the Obligor to meet its obligations under the Notes. An investor may also lose some or all of its investment if it seeks to sell the relevant Notes prior to their scheduled maturity and the sale price of the Notes in the secondary market is less than the initial investment or the relevant Notes are subject to certain adjustments in accordance with the terms and conditions of such Notes that may result in the scheduled amount to be paid upon redemption being reduced to or being valued at an amount less than an investor's initial investment.

Risks related to the nature of Notes which may be issued under this program generally

Modification and waivers and substitution bear certain risks

The terms of the Notes contain provisions for holders to provide written consent and for the calling of meetings of holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including holders who did not consent or who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Accordingly, holders are exposed to the risk that their rights in respect of the Notes are varied against their will, which may result in their investment in the Notes becoming less advantageous to a particular holder depending on their individual circumstances.

Because the Fiscal Agency Agreement contains no limit on the amount of additional debt that the ANZ Bank NZ Group may incur, the ability to make timely payments on the Notes may be affected by the amount and terms of the ANZ Bank NZ Group's future debt

The ability of the ANZ Bank NZ Group to make timely payments on its outstanding debt may depend on the amount and terms of its other obligations, including any outstanding Notes. The Fiscal Agency Agreement does not contain any limitation on the amount of indebtedness that the ANZ Bank NZ Group may incur in the future. In particular, there is no limit on the amount of indebtedness ranking senior to the Subordinated Notes that may be incurred or assumed by ANZ Bank NZ in the future. As each of the Issuers issue additional Notes under the Fiscal Agency Agreement or the ANZ Bank NZ Group incurs other indebtedness, unless the ANZ Bank NZ Group's earnings grow in proportion to its debt and other fixed charges, its ability to service the Notes on a timely basis may become impaired.

The Notes' credit ratings may not reflect all risks of an investment in the Notes

The credit ratings of the Notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in the credit ratings of the Notes will generally affect any trading market for, or trading value of, the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Each rating should be evaluated independently of any other information. Accordingly, an investor may suffer losses if the credit rating assigned to any Notes does not reflect the true creditworthiness of such Notes.

Risks relating to insolvency and similar proceedings in New Zealand

In the event that an Issuer becomes insolvent, insolvency proceedings will generally be governed by New Zealand law. Investors should be aware that New Zealand insolvency laws are different from the insolvency laws in other jurisdictions. In particular, the voluntary administration and statutory management regimes differ significantly from similar provisions under the insolvency laws of other jurisdictions.

The statutory management regimes that are most relevant are the Corporations (Investigation and Management) Act 1989 ("**CIM Act**") and the BPS Act. Pursuant to the BPS Act, the RBNZ may give a registered bank, which includes ANZ Bank NZ, or an associated person a direction in writing and/or place the registered bank under statutory management in certain circumstances, including where the RBNZ has reasonable grounds to believe that the registered bank or the associated person is insolvent or is likely to become insolvent. As a corporation, ANZNIL may be placed into statutory management in similar circumstances under the CIM Act. A registered bank, such as ANZ Bank NZ, can also be placed into statutory management if it fails to comply with a direction given by the RBNZ. Where a corporation is declared to be subject to statutory management, a moratorium will apply and no person shall commence any action or other proceedings against that corporation. Accordingly, holders may be prevented from enforcing rights in connection with the Notes where ANZ Bank NZ and/or ANZNIL have been placed into statutory management.

If ANZ Bank NZ were placed under statutory management, holders may be further restricted in enforcing their rights against ANZ Bank NZ due to Open Bank Resolution ("**OBR**"). OBR is an RBNZ policy option aimed at resolving a bank failure quickly, including by suspending payment of a portion of liabilities so the bank can be promptly reopened for business, consequently minimizing stresses on the overall banking and payments system. Under the RBNZ's Conditions of Registration for registered banks, New Zealand-incorporated registered banks with retail deposits over NZ$1 billion (which includes ANZ Bank NZ) are required to comply with the OBR Pre-positioning Requirements Policy ("**BS17**"), which describes the process and requirements for banks.

In addition, to the extent that the holders are entitled to any recovery with respect to the Notes in any bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to an Issuer, those holders might be entitled only to a recovery in New Zealand dollars.

Risks related to particular types of Notes which may be issued under this program

Fixed/Floating Rate Notes bear certain risks

Fixed/floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuers' ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favorable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Floating Rate Notes with caps or floors bear certain risks

Floating Rate Notes can be volatile investments. If they are structured to include caps or floors, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes with caps or floors bear certain risks

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Redemption prior to maturity may adversely affect the return on the Notes

If the relevant Issuer is obligated to pay additional amounts on the Notes (other than Subordinated Notes) or, in the case of the ANZNIL Notes, ANZ Bank NZ is obligated to pay additional amounts under the Guarantee, the relevant Issuer may redeem the Notes. The applicable Final Terms may specify that the Notes are redeemable at the option of the relevant Issuer. A redemption feature is likely to limit the market value of Notes.

If set out in the applicable Final Terms, ANZ Bank NZ may redeem Subordinated Notes prior to their specified maturity (i) upon the occurrence of a Subordinated Notes Tax Event; (ii) upon the occurrence of a Subordinated Notes Regulatory Event; or (iii) on any optional redemption date specified in the applicable Final Terms which falls on or after the fifth anniversary of the date on which such Subordinated Notes were issued, in each case, subject to prior approval of the RBNZ and the satisfaction of the other Redemption Conditions, as described in "Description of the Notes and the Guarantee—Subordinated Notes—Redemption Conditions" and "Description of the Notes and the Guarantee—Conditions of Payment in respect of Subordinated Notes".

The circumstances constituting a Subordinated Notes Tax Event that could give rise to the redemption of a Tranche of Subordinated Notes are broader than those constituting a Senior Notes Tax Event. These circumstances include changes to laws, regulations, rulings, directives or applications that, in the opinion of ANZ Bank NZ, directly or indirectly, affect the taxation treatment in relation to such Subordinated Notes with the effect that any member of the ANZ Bank NZ Group would be exposed to an increase to its costs in relation to such Subordinated Notes (provided that such event is not minor and could not reasonably have been anticipated by ANZ Bank NZ at the issue date for such Subordinated Notes). Such an increase in costs could include the requirement to pay additional amounts and other changes that increase the cost of the Subordinated Notes to ANZ Bank NZ Group. Such circumstances could include: (1) ANZ Bank NZ Group's inability to deduct for New Zealand income tax purposes, in whole or in part, interest payments (which are currently deductible for New Zealand income tax purposes), or financial arrangements expenditure under the New Zealand Income Tax Act 2007 with respect to, the Subordinated Notes (again which is currently deductible for New Zealand income tax purposes); and (2) any change in law that results in an increase in the rate of the approved issuer levy. Financial arrangements expenditure referred to above would be, broadly, the difference between consideration received by the Issuer versus consideration paid by the Issuer under or in respect of the Subordinated Notes (which is not limited to principal and interest and may include, for example, certain fees). Financial arrangements expenditure is allocated to an income year in accordance with a spreading method under New Zealand's financial arrangements rules (which may include general financial reporting methods in certain circumstances). If there is a change in the financial arrangements rules operating to deny ANZ Bank NZ Group all or part of the financial arrangements expenditure which is currently deductible under the New Zealand Income Tax Act 2007 or to change the manner in which the expenditure is to be spread for income tax purposes, such a change could potentially amount to a Subordinated Notes Tax Event. In addition, ANZ Bank NZ Group is able to pay the approved issuer levy at the rate of two percent of any interest payment in order for New Zealand non-resident withholding tax to not apply in relation to payments of interest under the Subordinated Notes. If there was a change in law which resulted in an increase in the rate of the approved issuer levy, that could also be a change that potentially amounts to a Subordinated Notes Tax Event. See "Taxes—New Zealand taxation—Non-resident withholding tax" for more information regarding the approved issuer levy. ANZ Bank NZ has broad discretion to determine whether a Subordinated Notes Tax Event has occurred and there is no requirement for ANZ Bank NZ to obtain an opinion of counsel or other form of assurance to support its determination. Furthermore, the requirements that a Subordinated Notes Tax Event be not minor or could not reasonably have been anticipated by ANZ Bank NZ at the issue date of such Subordinated Notes reflect New Zealand regulatory requirements in order for such Subordinated Notes to be classified as Tier 2 Capital. These factors could result in ANZ Bank NZ seeking to redeem Subordinated Notes based upon the occurrence of a Subordinated Notes Tax Event in situations that an investor would not expect.

Furthermore, ANZ Bank NZ may at its option redeem the Subordinated Notes of a relevant Tranche in whole, but not in part, at any time following the occurrence of a Subordinated Notes Regulatory Event. The definition of Subordinated Notes Regulatory Event is very broad and includes ANZ Bank NZ determining that (1) ANZ Bank NZ is or will be adversely affected in relation to its regulatory capital treatment of such Subordinated Notes; or (2) ANZ Bank NZ is not or will not be entitled to treat some or all such Subordinated Notes as Tier 2 Capital (provided that, in either case, the relevant event is not minor and could not reasonably have been anticipated by ANZ Bank NZ at the issue date for such Subordinated Notes). ANZ Bank NZ has broad discretion to determine when a Subordinated Notes Regulatory Event has occurred with respect to a Tranche of Subordinated Notes, and there is no requirement for ANZ Bank NZ to obtain an opinion of counsel or other form of assurance to support its determination. The requirements that a Subordinated Notes Regulatory Event be not minor or could not reasonably have been anticipated by ANZ Bank NZ at the issue date of such Subordinated Notes reflect New Zealand regulatory requirements in order for such Subordinated Notes to be classified as Tier 2 Capital, which were adopted relatively recently. Additionally, a Subordinated Notes Regulatory Event could be triggered by any order, direction, standard, requirement (including any prudential regulation requirement), guideline or statement of the RBNZ (whether or not having the force of law). These factors could result in ANZ Bank NZ seeking to redeem Subordinated Notes based upon the occurrence of a Subordinated Notes Regulatory Event in situations that an investor would not expect.

During any period in which the relevant Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The relevant Issuer may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate on the Notes. In addition, if the Notes are subject to mandatory redemption, the relevant Issuer may be required to redeem the Notes at times when prevailing interest rates are lower than the interest rate on the Notes. As a result, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equal to or higher than that applicable to the Notes being redeemed. Investors should consider reinvestment risk in light of other investments available at that time.

Senior Notes issued at a substantial discount or premium bear certain risks

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities. Accordingly, investors in any Notes issued at a discount or premium are exposed to interest rate volatility and may suffer a greater loss on their investment compared to an investor in other interest-bearing debt securities.

The interest rate of Fixed Rate Notes may be reset

The Final Terms in respect of Fixed Rate Notes may specify one or more reset dates in respect of Fixed Rate Notes (each a "**Fixed Rate Reset Date**"), in which case the interest rate for such Fixed Rate Notes will be reset on each Fixed Rate Reset Date, such that from (and including) the relevant Fixed Rate Reset Date, the applicable per annum interest rate will be equal to the interest rate on the applicable Reset Determination Date plus the Reset Spread, each as specified in the applicable Final Terms. The interest rate following a Fixed Rate Reset Date may be less than the initial or prior interest rate, which could affect the amount of interest to be paid on the relevant Fixed Rate Notes and, as a result, the market value of such Notes.

An increase in market interest rates could result in a decrease in the value of a Fixed Rate Note

In general, as market interest rates rise, Notes bearing interest at a fixed rate decline in value because the premium, if any, over market interest rates will decline. For example, if an investor purchases Fixed Rate Notes and market interest rates increase, the market values of those Fixed Rate Notes may decline. Investment in Fixed Rate Notes therefore involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Notes denominated or payable in or linked to a non-U.S. dollar currency are subject to exchange rate and exchange control risks

Investors in a non-U.S. dollar Note will be subject to significant risks not associated with an investment in a Note denominated and payable in U.S. dollars, including the possibility of material changes in the exchange rate between U.S. dollars and the applicable foreign currency and the imposition or modification of exchange controls by the applicable governments. The Issuers have no control over the factors that generally affect these risks, including economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on non-U.S. dollar Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between these currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of an investor's payment currency would result in a decrease in the U.S. dollar equivalent yield of such investor's non-U.S. dollar Notes, in the U.S. dollar equivalent value of the principal and (for Senior Notes only) any premium payable at maturity or any earlier redemption of such non-U.S. dollar Notes and, generally, in the U.S. dollar equivalent market value of such non-U.S. dollar Notes.

Governmental exchange controls could affect exchange rates and the availability of the payment currency for non-U.S. dollar Notes on a required payment date. Even if there are no exchange controls, it is possible that the payment currency will not be available on a required payment date due to circumstances beyond the relevant Issuers control. In these cases, the relevant Issuer (and the Guarantor in the case of Notes issued by ANZNIL) will be allowed to satisfy its obligations in respect of non-U.S. dollar Notes in U.S. dollars or delay payment. See "Description of the Notes and the Guarantee—Currency of Notes" and "Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency" for further discussion of these risks.

The market continues to develop in relation to Notes that reference SOFR

SOFR is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. Publication of SOFR data began on April 3, 2018, and publication of SOFR Index data began on March 2, 2020, and therefore have a relatively limited history. In addition, the future performance of SOFR cannot be predicted based on its historical performance. The level of SOFR over the term of the Notes may bear little or no relation to the historical level of SOFR. Prior observed patterns, if any, in the behavior of market variables, such as correlations, may change in the future. While some pre-publication hypothetical performance data has been published by the Federal Reserve Bank of New York, such data inherently involves assumptions, estimates and approximations. Furthermore, since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates. As a result, the return on and value of Notes that reference SOFR may fluctuate more than floating rate debt securities that are linked to less volatile rates. The future performance of SOFR is impossible to predict and therefore no future performance of SOFR or the Notes may be inferred from any of the hypothetical or actual historical performance data. Hypothetical or actual historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR or the Notes.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out under "Description of the Notes and the Guarantee" and used in relation to Floating Rate Notes that reference a SOFR rate issued under this program. Each Issuer may in the future also issue Notes referencing SOFR that differ materially in terms of interest determination when compared with any previous SOFR referenced Notes issued by it under this program. The development of Compounded Daily SOFR and Compounded SOFR Index (each as defined under "Description of the Notes and the Guarantee—Interest Rates—SOFR Notes") as an interest reference rate for the U.S. bond markets, as well as continued development of SOFR-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SOFR-referenced Notes issued under this program from time to time.

Furthermore, interest on Notes which reference a SOFR rate is only capable of being determined on the SOFR Interest Determination Date (as defined in the "Description of the Notes and the Guarantee—Interest rates—Base Rates—Interest Determination Dates"). It may be difficult for holders of Notes that reference SOFR to reliably estimate the amount of interest that will be payable on such Notes and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, if the Notes become due and payable as described under "Description of the Notes and the Guarantee—Default, remedies and waiver of default—Events of Default", the rate of interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Notes.

Investors should be aware that the manner of adoption or application of SOFR as a reference rate in the U.S. bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR as reference rates across these markets may impact any hedging or other arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

Since SOFR is a relatively new market index, Notes linked to SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities linked to SOFR, such as the margin over SOFR reflected in interest rate provisions, may evolve over time, and trading prices of the Notes may be lower than those of later-issued Notes that are linked to SOFR as a result. Further, if SOFR does not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SOFR may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

SOFR and the SOFR Index may be modified or discontinued by their administrator, which could adversely* affect *the value of any SOFR Notes

Each of SOFR and the SOFR Index is published by the Federal Reserve Bank of New York based on data received from other sources, over which we have no control. Further the Federal Reserve Bank of New York, the current administrator of SOFR and the SOFR Index, notes on its publication page for SOFR and the SOFR Index that it may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR and/or the SOFR Index at any time without notice. The Federal Reserve Bank of New York has no obligation to consider the interests of holders of the Notes in calculating, adjusting, converting, revising or discontinuing SOFR or the SOFR Index.

There can be no guarantee, particularly given SOFR’s and the SOFR Index’s relatively recent publication, that SOFR and/or the SOFR Index will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of the Notes. If the manner in which SOFR and/or the SOFR Index are calculated is changed, such change may result in a reduction in the amount of interest payable on the Notes and the trading prices of the Notes. In addition, the Federal Reserve Bank of New York may withdraw, modify or amend the published SOFR or SOFR Index in its sole discretion and without notice.

The Base Rate for SOFR Notes for any interest period will not be adjusted for any modifications or amendments to SOFR or the SOFR Index that the Federal Reserve Bank of New York may publish after the interest rate for that interest period has been determined.

The occurrence of a Benchmark Transition Event and its related Benchmark Replacement Date in respect of SOFR Notes may adversely affect the return on and the market value of such Notes

The Notes provide for specific fallback arrangements where the Base Rate specified in the applicable Final Terms is SOFR. If the Issuer or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark (each as defined in the “Description of the Notes and the Guarantee—Interest rates—Compounded SOFR Index Rate—Benchmark Replacement for SOFR Notes”), then a Benchmark Replacement will replace the then-current Benchmark and the relevant Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes in accordance with “Description of the Notes and the Guarantee—Interest rates—Compounded SOFR Index Rate—Benchmark Replacement for SOFR Notes” (subject to providing notice to the RBNZ in the case of Floating Rate Subordinated Notes as described below). There are no limits or parameters dictating whom the relevant Issuer may appoint as its designee to assist in this determination, and the designee may be an affiliate of the relevant Issuer, an agent of the Issuer or any other party or person. There is no assurance that the designee selected by the Issuer to assist in this determination has the competency to make such a determination or that the designee’s determination will be consistent with similar determinations made on similar securities. The selection of a Benchmark Replacement, and any decisions, determinations or elections made by the relevant Issuer or its designee in connection with implementing a Benchmark Replacement with respect to such Notes could result in adverse consequences to the relevant rate of interest in respect of such Notes.

If a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected or formulated by (i) the Relevant Governmental Body (such as the Alternative Reference Rates Committee), (ii) ISDA or (iii) in certain circumstances, the relevant Issuer or its designee. In addition, the relevant Issuer or its designee can make Benchmark Replacement Conforming Changes with respect to, among other things, the determination of interest periods and the timing and frequency of determining rates and making payments of interest.

No consent of the holders shall be required in connection with determining or effecting any Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes. However, in the case of Subordinated Notes, any Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes will be subject to ANZ Bank NZ giving the RBNZ at least five working days’ prior notice in each case. Such notification must be accompanied by, among other things, a signed opinion from ANZ Bank NZ’s New Zealand legal counsel confirming that, once any Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes (as applicable) is in effect, the Subordinated Notes will continue to qualify as Tier 2 Capital. The Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Change (as applicable) in respect of a Series of Subordinated Notes could not be applied if that Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Change (as applicable) would have the effect of increasing the rate of interest on such Subordinated Notes contrary to applicable prudential regulatory requirements. The application of a Benchmark Replacement, Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes, any decisions, determinations or elections made by the relevant Issuer or its designee in connection with Benchmark Replacement, Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes, as well as the implementation of Benchmark Replacement Conforming Changes, could result in adverse consequences to the amount of interest on the Notes which could adversely affect the return on, value of and market for such Notes. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to the then-current Compounded Daily SOFR or Compounded SOFR Index, as applicable, that it is replacing, or that any Benchmark Replacement will produce the economic equivalent of the then-current Compounded Daily SOFR or Compounded SOFR Index, as applicable, that it is replacing.

Risks related to Subordinated Notes issued under this program

The Subordinated Notes are complex financial instruments and may not be a suitable investment for all investors

The Subordinated Notes are complex financial instruments, which include features which are required for the Subordinated Notes to qualify as Tier 2 Capital under the RBNZ's prudential requirements from time to time. As a result, an investment in the Subordinated Notes will involve certain increased risks. Each potential investor in the Subordinated Notes must determine the suitability of such investment in the Subordinated Notes in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes, the rights attaching to the Subordinated Notes and the information contained in this Offering Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Subordinated Notes and be familiar with the behavior of any relevant financial markets and their potential impact on the likelihood of certain events under the Subordinated Notes occurring; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Subordinated Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Subordinated Notes will perform under changing conditions and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Memorandum.

An investor holding Subordinated Notes may lose some or all of its investment should ANZ Bank NZ become insolvent

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor holding Subordinated Notes may lose some or all of their investment should ANZ Bank NZ become insolvent.

The terms of the Notes do not limit the amount of the liabilities ranking senior to any Subordinated Notes which may be incurred or assumed by ANZ Bank NZ from time to time, whether before or after the date of issue of the relevant Notes.

In the Liquidation of ANZ Bank NZ, ANZ Bank NZ will be required to pay the Senior Creditors and meet its obligations to all its other unsubordinated creditors (including unsecured creditors) in full before it can make any payments on any Subordinated Notes. If this occurs, ANZ Bank NZ may not have enough assets remaining after these payments to pay amounts due under the relevant Subordinated Notes. At March 31, 2023, ANZ Bank NZ Group was subject to outstanding claims of its Senior Creditors and outstanding claims by holders of Equal Ranking Securities in an aggregate principal amount of approximately US$105,970 million and US$855 million, respectively.

In addition, all Subordinated Notes will provide that, prior to the stated maturity of such Subordinated Notes or the Liquidation of ANZ Bank NZ, ANZ Bank NZ is only permitted to make payments on such Subordinated Notes if the Solvency Conditions are satisfied. Any failure to make payments on Subordinated Notes as a result of a failure to satisfy the Solvency Conditions will not constitute an event of default in respect of such Subordinated Notes.

A Subordinated Noteholder has limited remedies available for non-payment of amounts owing and for other breaches of ANZ Bank NZ's obligations

Payment of principal and interest on Subordinated Notes may be accelerated only in specified instances involving the Liquidation of ANZ Bank NZ. There is no right of acceleration in the case of a default in the performance of any of the covenants under the Subordinated Notes, including a default in the payment of principal or interest. If ANZ Bank NZ defaults in the payment of principal on any Tranche of Subordinated Notes when due, which continues for 7 days, or defaults in the payment of interest on any Tranche of Subordinated Notes when due, which continues for 15 days, a Subordinated Noteholder of such Tranche may bring judicial proceedings to recover any amount then due and payable but unpaid on such Subordinated Notes (subject to satisfaction of the Solvency Conditions), to obtain an order for specific performance of any other obligation in respect of such Subordinated Notes or for the Liquidation of ANZ Bank NZ. The making of an order for the Liquidation of ANZ Bank NZ is in the discretion of the court. However, until all Senior Creditors have been paid in full, a Subordinated Noteholder may not claim in the Liquidation of ANZ Bank NZ in competition with the Senior Creditors so as to diminish any distribution or payment which, but for that claim, the Senior Creditors would have been entitled to receive. As a result, recoveries on the Subordinated Notes may be substantially limited.

No remedy against ANZ Bank NZ will be available to a Subordinated Noteholder where ANZ Bank NZ's failure to make any payment in respect of the Subordinated Notes prior to the stated maturity or commencement of Liquidation of ANZ Bank NZ (including any payment of interest on the Subordinated Notes) is due to ANZ Bank NZ failing to satisfy the Solvency Conditions. Any amount not paid due to ANZ Bank NZ's failure to satisfy the Solvency Conditions accumulates and remains a debt owing to the Subordinated Noteholder by ANZ Bank NZ until it is paid and will be due and payable by ANZ Bank NZ on the earlier of (a) the first business day on which the Solvency Conditions are satisfied (whether or not such date is otherwise a payment date) and (b) the stated maturity.

Prior to the Liquidation of ANZ Bank NZ, no other remedy will be available to a Subordinated Noteholder against ANZ Bank NZ in respect of Subordinated Notes as a consequence of an Event of Default with respect to those Subordinated Notes.

There are restrictions on the payment of interest, principal and other amounts on Subordinated Notes any time before their stated maturity or the Liquidation of ANZ Bank NZ

Payments of interest, principal and any other amounts owing to a Subordinated Noteholder in connection with Subordinated Notes at any time before their stated maturity or the Liquidation of ANZ Bank NZ are conditional upon ANZ Bank NZ being Solvent at the time those payments fall due. ANZ Bank NZ must not pay an amount owing to a Subordinated Noteholder in connection with Subordinated Notes at any time before their stated maturity or the Liquidation of ANZ Bank NZ except to the extent that ANZ Bank NZ may pay such amount and still be Solvent immediately after doing so.

A Subordinated Noteholder has limited rights to accelerate principal under the Subordinated Notes

Payment of the principal amount of, and all accrued, unpaid interest, if any, on, the Subordinated Notes will be accelerated only in the event of a Liquidation of ANZ Bank NZ. Subordinated Noteholders will not have the right to accelerate the payment of principal of, and all accrued and unpaid interest on, the Subordinated Notes if ANZ Bank NZ fails to pay principal or interest when due on those Subordinated Notes or if ANZ Bank NZ otherwise fails in the performance of any of its other obligations under those Subordinated Notes. The rights of acceleration under the Subordinated Notes are more limited than those available pursuant to the terms of ANZ Bank NZ's unsubordinated debt securities.

<u>Risks related to the development of a market for Notes which may be issued under this program</u>

There may not be any trading market for the Notes; many factors affect the trading and market value of the Notes

Upon issuance, the Notes may not have an established trading market. Although the Notes may be listed on the London Stock Exchange, there can be no assurance that a trading market for the Notes will ever develop or be maintained if developed. In addition to creditworthiness, many factors affect the trading market for, and trading value of, the Notes. These factors include but are not limited to:

- the complexity and volatility of the formula applicable to the Notes (if any);
- the method of calculating the principal, premium (for Senior Notes only) and interest in respect of the Notes;
- the time remaining to the stated maturity of the Notes;
- the outstanding amount of the Notes;
- any redemption features of the Notes;
- the amount of other debt securities linked to the formula applicable to the Notes (if any);
- the level, direction and volatility of market interest rates generally;
- investor confidence and market liquidity; and
- the financial condition and results of operations of the ANZ Bank NZ Group.

There may be a limited number of buyers when an investor decides to sell the Notes. This may affect the price an investor receives for such Notes or the ability to sell such Notes at all. Furthermore, the ability of the Agents and other market participants to make a market in the Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes, including as a result of potential restrictions pursuant to Rule 15c2-11 under the Exchange Act and regulatory interpretations thereof on the ability of the Agents and other market participants to publish quotations for the Notes. In addition, Notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility than those not so designed. Illiquidity may have a severely adverse effect on the market value of Notes. Investors should not purchase the Notes unless they understand and know they can bear all of the investment risks involving the Notes.

The Notes may be de-listed, which may materially affect an investor's ability to resell such Notes

Any Notes that are listed on the London Stock Exchange may be de-listed. If any Notes are de-listed, the relevant Issuer may, but is not obligated to, seek an alternative listing. However, if such an alternative listing is not available or in the opinion of the relevant Issuer is unduly burdensome, an alternative listing for the Notes may not be obtained. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the London Stock Exchange, delisting the Notes from the London Stock Exchange may have a material adverse effect on an investor's ability to resell the Notes in the secondary market.

<u>Risks related to Legal and other Risks</u>

The Notes are subject to transfer restrictions under U.S. law

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered hereby (i) to QIBs in transactions that are exempt from registration pursuant to Section 4(a)(2) of, and Rule 144A under, the Securities Act, or (ii) outside the United States to persons that are not U.S. persons in offshore transactions that are not subject to registration in reliance on Regulation S under the Securities Act. Accordingly, under U.S. law the Notes are subject to certain restrictions on the resale and other transfer thereof as set forth under "Notice to Purchasers" and "Plan of Distribution". As a result of such restrictions, there can be no assurance as to the existence of a secondary market for the Notes or the liquidity of such market if one develops. Consequently, investors must be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Because Global Notes will be held by or on behalf of DTC and/or an alternative clearing system (including Euroclear and Clearstream, Luxembourg), holders of Notes issued in the form of Global Notes will have to rely on their procedures for transfer, payment and communication with the relevant Obligor

Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for DTC and/or an alternative clearing system (the "**Depositary**"). Apart from the circumstances described in this Offering Memorandum and the relevant Global Note(s), investors will not be entitled to Notes in definitive form. The Depositary, or its nominee, will be the sole registered owner and holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a holder of the Note, but only an indirect owner of an interest in the Global Note. As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor's financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. The Issuers do not recognize this type of investor or any intermediary as a holder of Notes and instead deal only with the Depositary that holds the Global Note. An investor in a Global Note will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes.

See "Description of the Notes and the Guarantee—Payment mechanics for Notes" and "Legal Ownership and Book-Entry Issuance" for further discussion of the risks associated with holding Global Notes.

The Notes are subject to changes in tax law which could have an adverse effect

Statements in this Offering Memorandum concerning the taxation of holders of Notes are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is subject to change, possibly with retrospective effect, and this could adversely affect holders of Notes. In addition, any change in an Issuer's tax status or in taxation legislation or practice in a relevant jurisdiction could adversely impact the ability of the Issuers to service the Notes and the market value of the Notes.

FATCA withholding may apply to payments on the Notes, including as a result of the failure of a holder or a holder's bank or broker to provide information to taxing authorities or withholding agents

Withholding as high as 30% may be imposed on payments made with respect to the Notes, but such withholding will not apply to payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are enacted, and only with respect to Notes issued or modified at least six months after the date on which final regulations implementing the rules for calculating the amount of such withholding tax are published in final form (subject to changes in U.S. law affecting timing, applicability and rates for foreign passthru payments). The withholding, when it applies, may be imposed at any point in a series of payments unless the relevant payee (including a bank, broker or individual) at each point complies with information reporting, certification and related requirements. Accordingly, a holder that holds Notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because the bank or broker fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. If a payment on the Notes is subject to this withholding tax, no additional amounts will be paid, and a holder will receive less than the expected amount of the payment.

Prospective investors should consult their tax advisers and their banks or brokers regarding the possibility of this withholding. For more information, see "Taxes—United States federal income taxation—FATCA Withholding."

If, under certain circumstances, ANZ Bank NZ is merged or consolidated into another entity, or its properties and assets are sold substantially as an entirety to another entity, such entity need not assume the obligations under the Subordinated Notes

Pursuant to the terms of the Subordinated Notes, ANZ Bank NZ is permitted to consolidate with or merge into any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person, and is not prevented from permitting any person to consolidate with or merge into it or to convey, transfer or lease its properties and assets substantially as an entirety to it, in each case where such consolidation, merger, conveyance, transfer or lease: (i) occurs as part of a recapitalization plan that has been developed by ANZ Bank NZ in consultation with, and agreed to by, the RBNZ and which ANZ Bank NZ is required by the RBNZ to implement; or (ii) is required by the RBNZ (including by giving a direction to ANZ Bank NZ) or any statutory manager or similar official appointed to ANZ Bank NZ under any law or prudential regulation applicable in New Zealand (including without limitation the BPS Act, which term includes any amendments thereto, regulations thereunder and any successor laws, amendments and regulations). In either case, such entity need not assume the obligations of ANZ Bank NZ under the Subordinated Notes, and Subordinated Noteholders may have no recourse to such entity and no grounds to require repayment of the principal amount of, or interest or other amounts otherwise payable on, the Subordinated Notes on account of that consolidation, merger, conveyance, transfer or lease. For instance, the RBNZ can require ANZ Bank NZ to put in place a recapitalization plan in circumstances where ANZ Bank NZ's prudential capital buffer ratio does not meet the requirements of ANZ Bank NZ's Conditions of Registration. ANZ Bank NZ will be permitted under the terms of the Subordinated Notes to undertake a recapitalization plan in these circumstances that may otherwise have been restricted. In addition, the RBNZ has broad powers under the BPS Act to issue directions to a bank, such as ANZ Bank NZ, including to require the bank to dispose of some or all of its assets; and a statutory manager appointed to a bank, such as ANZ Bank NZ, has the power under the BPS Act to dispose of some or all of the bank's assets. Such a merger, consolidation, conveyance, transfer or lease may adversely affect the value of the Subordinated Notes and the likelihood of ANZ Bank NZ making payment to holders of any amount due under their Subordinated Notes.

3. USE OF PROCEEDS

Unless otherwise stated in the Final Terms, ANZNIL will on-lend the net proceeds from the sale of all ANZNIL Notes to ANZ Bank NZ. Unless otherwise stated in the Final Terms, ANZ Bank NZ intends to use the net proceeds from the sales of Notes (including Notes issued by ANZNIL) to provide additional funds for operations, for general corporate purposes and such other purposes as may be specified in a supplement hereto.

4. DESCRIPTION OF THE NOTES AND THE GUARANTEE

This section summarizes the material terms that will apply generally to the Notes. Each Tranche will have financial and other terms specific to it, and the specific terms of each Note will be described in the Final Terms that will accompany this Offering Memorandum. Such Final Terms will be in substantially the form attached as Annex B to this Offering Memorandum.

For convenience and unless otherwise indicated, in this section entitled "Description of the Notes and the Guarantee," references to "**the relevant Issuer**" refer to ANZ Bank NZ in the case of ANZ NZ Notes and Subordinated Notes and ANZNIL in the case of ANZNIL Notes. References to "**ANZ Bank NZ**" refer only to ANZ Bank New Zealand Limited and not to its consolidated subsidiaries. Also, in this section, references to "**holders**" mean those persons who own Notes registered in their own names, on the books that ANZ Bank NZ, ANZNIL or the Fiscal Agent maintains for this purpose, and not those persons who own beneficial interests in Notes registered in street name or in Notes issued in book-entry form through the Depositary. Owners of beneficial interests in the Notes should read the section below entitled "Legal Ownership and Book-Entry Issuance". Certain other terms used in this description are defined under the subheading below "—Certain Definitions."

Investors are reminded when reading this section that the specific terms of a Note as described in the applicable Final Terms relating to such Note will supplement the general terms described in this section.

This section is only a summary

The Fiscal Agency Agreement and its associated documents, including the Note and the applicable Final Terms, contain the full legal text of the matters described in this section. The Fiscal Agency Agreement, the Guarantee and the Notes are governed by New York law, except as to authorization and execution by ANZ Bank NZ and ANZNIL of these documents and, in the case of Subordinated Notes, the subordination provisions, in each case which are governed by the laws of New Zealand. See "Available Information" for information on how to obtain a copy of the Fiscal Agency Agreement.

This section, together with the applicable Final Terms, summarize all the material terms of the Fiscal Agency Agreement and a Note. They do not, however, describe every aspect of the Fiscal Agency Agreement and a Note. For example, this section entitled "Description of the Notes and the Guarantee" and the applicable Final Terms, uses terms that have been given special meaning in the Fiscal Agency Agreement, but it describes the meaning of only the more important of those terms.

Certain definitions

The following terms have the meanings set out below for the purposes of this section. Where a term is defined by reference to the Companies Act, such term has the meaning ascribed by the Companies Act, notwithstanding that a summary of the meaning has been provided herein.

"**ANZ NZ Notes**", mean ANZ Bank NZ's Senior Medium-Term Notes, Series A.

"**ANZNIL Notes**", mean ANZNIL's Senior Medium-Term Notes, Series A.

"**Liquidation of ANZ Bank NZ**" means the liquidation of ANZ Bank NZ under section 241(5) or section 317 of the Companies Act or under any other legislation under which ANZ Bank NZ will irrevocably cease to be duly incorporated or to validly exist in New Zealand.

"**Liquidation of ANZNIL**" means the liquidation of ANZNIL under section 241(5) or section 317 of the Companies Act or under any other legislation under which ANZNIL will irrevocably cease to be duly incorporated or to validly exist in New Zealand.

"**Notes**" means ANZ Bank NZ's Senior Medium-Term Notes, Series A, ANZNIL's Senior Medium-Term Notes, Series A, or ANZ Bank NZ's Subordinated Medium-Term Notes, Series A, as applicable.

References to "**prudential capital buffer ratio**" and "**buffer trigger ratio**" have the meanings given to those terms in the RBNZ's Banking Prudential Requirements document BPR001.

References to "**Tier 1 Capital**" and "**Tier 2 Capital**" are respectively references to the capital of ANZ Bank NZ that falls within the meaning of tier 1 capital or tier 2 capital in the RBNZ's prudential requirements from time to time.

"**Senior Notes**", mean ANZ Bank NZ's Senior Medium-Term Notes, Series A, or ANZNIL's Senior Medium-Term Notes, Series A, as applicable.

"**Series**" of debt securities, mean a series, such as the Series A Notes, issued under the Fiscal Agency Agreement.

"**Solvent**" means, at any time, satisfying the solvency test in section 4 of the Companies Act, which, as a general matter, requires that (i) ANZ Bank NZ be able to pay its debts as they become due in the normal course of business and (ii) the value of ANZ Bank NZ's assets exceed the value of ANZ Bank NZ's liabilities, including contingent liabilities.

"**Subordinated Noteholder**" means the holder of a Subordinated Note or, where the Subordinated Note is a registered Note, the person in whose name it is registered.

"**Subordinated Notes**" mean ANZ Bank NZ's Subordinated Medium-Term Notes, Series A.

"**subsidiary**" has the meaning given to that term in section 4 of the Companies Act, for which, as a general matter, a company is a subsidiary of another company if, but only if:

(a) that other company—

  (i) controls the composition of the board of the company; or

  (ii) is in a position to exercise, or control the exercise of, more than one-half the maximum number of votes that can be exercised at a meeting of the company; or

  (iii) holds more than one-half of the issued shares of the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or

  (iv) is entitled to receive more than one-half of every dividend paid on shares issued by the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or

(b) the company is a subsidiary of a company that is that other company's subsidiary.

The Notes will be issued under the Fiscal Agency Agreement

The Notes are governed by a document called a Fiscal Agency Agreement. The Fiscal Agency Agreement is a contract between ANZNIL, ANZ Bank NZ, both as Issuer of the ANZ NZ Notes and the Subordinated Notes and as Guarantor of the ANZNIL Notes, and The Bank of New York Mellon, which will initially act as fiscal agent and paying agent (the "**Fiscal Agent**"). The Fiscal Agent performs administrative duties for the Issuers such as sending interest payments and notices.

See "—Relationship with the Fiscal Agent" below for more information about the Fiscal Agent.

The relevant Issuer may issue other series of debt securities

The Fiscal Agency Agreement permits the relevant Issuer to issue different series of debt securities from time to time. The relevant Issuer may also issue Notes in such amounts, at such times and on such terms as it wishes. The Notes will differ from one another, and from other series, in their terms.

Amounts that the relevant Issuer may issue

The Fiscal Agency Agreement does not limit the aggregate amount of debt securities that the relevant Issuer may issue, nor does it limit the number of series or the aggregate amount of any particular series that the relevant Issuer may issue. Also, if the relevant Issuer issues Notes having the same terms in a particular offering, it may "reopen" that offering at any later time and offer additional Notes having those terms.

The relevant Issuer intends to issue Notes from time to time, initially in an amount having the aggregate offering price specified on the cover of this Offering Memorandum. However, the relevant Issuer may issue additional Notes in amounts that exceed the amount on the cover at any time, without the consent of the holders and without notifying the holders.

The relevant Issuer's affiliates may use this Offering Memorandum to resell Notes in market-making transactions from time to time, including both Notes that the relevant Issuer has issued before the date of this Offering Memorandum and Notes that it has not yet issued. These transactions are described under "Notice to Purchasers" and "Plan of Distribution."

The Fiscal Agency Agreement and the Notes do not limit the relevant Issuer's ability to incur other indebtedness or to issue other securities. Also, the relevant Issuer is not subject to financial or similar restrictions by the terms of the Notes or the Fiscal Agency Agreement.

Guarantee

ANZ Bank NZ will fully and unconditionally guarantee to each holder of an ANZNIL Note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of, and premium, if any, and interest on, such ANZNIL Note, when and as the same shall become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of such ANZNIL Note and of the Fiscal Agency Agreement.

How the Notes and Guarantee rank against other debt

Neither the Notes nor the Guarantee will be secured by any property or assets of ANZ Bank NZ or its subsidiaries, including ANZNIL. Thus, by owning a Note, the holders are unsecured creditors of ANZ Bank NZ. To the extent ANZ Bank NZ incurs indebtedness that is secured by liens over its property, the Notes and the Guarantee will effectively rank behind such indebtedness to the extent of the value of the property securing such indebtedness.

The Senior Notes and the Guarantee will be the direct, unsecured, unsubordinated and general obligations of ANZ Bank NZ (in the case of the ANZ NZ Notes, as issuer, or in the case of the Guarantee, as guarantor) or ANZNIL (as issuer). This means that, in the event of the Liquidation of ANZ Bank NZ or the Liquidation of ANZNIL, the Senior Notes and Guarantee would rank equally in right of payment with all of ANZ Bank NZ's and ANZNIL's other unsecured and unsubordinated obligations, except for obligations preferred by mandatory provisions of applicable law.

The Subordinated Notes will be the direct, unsecured, subordinated and general obligations of ANZ Bank NZ ranking equally among themselves. This means that, in the event of the Liquidation of ANZ Bank NZ, the payment of the principal amount of, any interest on, and any other payments in respect of the Subordinated Notes will be subordinated in right of payment to all Senior Creditors, equally in right of payment with Equal Ranking Securities (as defined below) and ahead of Junior Ranking Securities (as defined below).

Principal amount, stated maturity and maturity

The principal amount of a Note means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a Note is its face amount. The term "**stated maturity**" with respect to any Note means the day on which the principal amount of such Note is scheduled to become due, as specified in the applicable Final Terms. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the Note. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

The terms "**stated maturity**" and "**maturity date**" are also used to refer to the days when other payments become due. For example, a regular interest payment date when an installment of interest is scheduled to become due may be referred to as the "stated maturity" of that installment.

References to the "**stated maturity**" or the "**maturity date**" of a Note without specifying a particular payment, mean the stated maturity or maturity date, as the case may be, of the principal.

The Subordinated Notes are subject to payment restrictions in certain circumstances. See "—Conditions of Payment in respect of Subordinated Notes" below.

Currency of Notes

Amounts that become due and payable on the Note in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in the applicable Final Terms. This currency, composite currency, basket of currencies or currency unit or units is referred to as a "**Specified Currency**". The Specified Currency of the Note will be U.S. dollars, unless the applicable Final Terms states otherwise. Some Notes may have different Specified Currencies for principal, premium (for Senior Notes only) and interest. Investors will have to pay for the Note by delivering the requisite amount of the Specified Currency for the principal to any of the Agents that are named in the applicable Final Terms, unless other arrangements have been made between the investor and the relevant Issuer or the investor and any such Agents. The relevant Issuer will make payments on the Notes in the Specified Currency, except as described below under "—Payment mechanics for Notes". See "Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency" for more information about risks of investing in Notes of this kind.

Types of Notes

The relevant Issuer may issue any of the following types of Notes and any other types of Notes that may be described in a supplement hereto:

Fixed Rate Notes

A Note of this type (a "**Fixed Rate Note**") will bear interest at a fixed rate, which may be reset on one or more Fixed Rate Reset Dates, as described in the applicable Final Terms. This type includes notes which bear no interest and are instead issued at a price lower than the principal amount ("**Zero Coupon Notes**"). See "—Original Issue Discount Notes" below for more information about Zero Coupon Notes and other Original Issue Discount Notes. Only Senior Notes may be Zero Coupon Notes.

Each Fixed Rate Note, except any Zero Coupon Note, will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Fixed Rate Note at the fixed yearly rate stated in the applicable Final Terms (as may be reset on each Fixed Rate Reset Date, to the extent any Fixed Rate Reset Dates are specified in the applicable Final Terms), until the principal is paid or made available for payment or the Note is converted or exchanged. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the maturity date. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months or, if specified in the applicable Final Terms, on the basis of a 365-day year. The relevant Issuer will pay interest on each interest payment date and on the maturity date as described below under "—Payment mechanics for Notes".

Floating Rate Notes

A Note of this type (a "**Floating Rate Note**") will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a Spread or multiplying by a Spread Multiplier (each as defined herein) and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below under "—Interest rates—Floating Rate Notes".

Each Floating Rate Note will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Floating Rate Note at the rate determined according to the interest rate formula stated in the applicable Final Terms, until the principal is paid or made available for payment or until it is converted or exchanged. The relevant Issuer will pay interest on each interest payment date and on the maturity date as described below under "—Payment mechanics for Notes".

Original Issue Discount Notes

A Note of this type (an "**Original Issue Discount Note**") may be a Fixed Rate Note or a Floating Rate Note. An Original Issue Discount Note is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An Original Issue Discount Note may be a Zero Coupon Note. A Note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered to have been issued with original issue discount, regardless of the amount payable upon redemption or acceleration of maturity. Only Senior Notes may be Original Issue Discount Notes. See "Taxes—United States federal income taxation—Original issue discount" below for a brief description of the U.S. federal income tax consequences of owning a Note considered to have been issued with original discount for U.S. federal income tax purposes.

Information in the Final Terms

The applicable Final Terms will describe one or more of the following terms of an issuance of Notes:

- the title of the Notes;
- whether the Note is a Subordinated Note;
- the stated maturity;
- the Specified Currency or currencies for principal, premium (for Senior Notes only) and interest, if not U.S. dollars;
- the price at which the relevant Issuer originally issues the Note, expressed as a percentage of the principal amount, and the issue date;
- whether the Note is a Fixed Rate Note, a Floating Rate Note, an Original Issue Discount Note (which may be a Zero Coupon Note) or any combination of the foregoing;
- if the Note is a Fixed Rate Note, the yearly rate at which such Note will bear interest, if any, and the interest payment dates, if different from those stated below under "— Interest rates — Fixed Rate Notes", terms for interest rate reset, if applicable, and the conditions, if any, under which each Note may convert into or be exchangeable for a Floating Rate Note;
- if the Note is a Floating Rate Note, the interest rate basis, which may be one of the two Base Rates described under "— Interest rates — Floating Rate Notes" below; any applicable Index Maturity (as defined herein), Spread or Spread Multiplier or initial, maximum or minimum interest rate; the interest reset, determination, calculation and interest payment dates; the day count used to calculate interest payments for any period; and the Calculation Agent, all of which are described under "— Interest rates — Floating Rate Notes" below and the conditions, if any, under which each Note may convert into or be exchangeable for a Fixed Rate Note;
- if the Note is an Original Issue Discount Note, the yield to maturity;
- if applicable, the circumstances under which the Note may be redeemed at the relevant Issuer's option or repaid at the holder's option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s), all of which are described under "— Redemption and repayment" below;
- the authorized denominations, if other than denominations of US$200,000, and multiples of US$1,000;

- the Depositary for the Note, if other than DTC, and any circumstances under which the holder may request the Note in non-global form, if the relevant Issuer chooses not to issue the Note in book-entry form only;
- the name of each offering Agent;
- the discount or commission to be received by the offering Agent or Agents;
- the net proceeds to the Issuer; and
- the names and duties of any co-agents, depositaries, Paying Agents, transfer agents, exchange rate agents or registrars for the Note.

Form of Notes

Each Note will be issued in global-i.e., book-entry-form only. Notes in book-entry form will be represented by a global security registered in the name of a Depositary, which will be the holder of all the Notes represented by the global security. Those who own beneficial interests in a Global Note (as defined under "Legal Ownership and Book-Entry Issuance—What is a Global Note?") will do so through participants in the Depositary's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the Depositary and its participants. Global Notes are described below under "Legal Ownership and Book-Entry Issuance".

In addition, the relevant Issuer will issue each Note in registered form, without coupons.

Interest rates

This subsection describes the different kinds of interest rates that may apply to the Note, if it bears interest.

Fixed Rate Notes

Interest on a Fixed Rate Note will be payable annually or semi-annually on the date or dates specified in the applicable Final Terms and at stated maturity. Any payment of principal, premium (for Senior Notes only) and interest for any Fixed Rate Note required to be made on an interest payment date that is not a business day (as defined herein) will be postponed to the next succeeding business day (and Following Business Day Convention will be specified in the applicable Final Terms) as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the interest payment date to the date of that payment on the next succeeding business day. For each Fixed Rate Note that bears interest, interest will accrue, and the relevant Issuer will compute and pay accrued interest, as described under "—Types of Notes-Fixed Rate Notes" above and "—Payment mechanics for Notes" below. The yield for Fixed Rate Notes will be specified in the applicable Final Terms. This yield is calculated as at the issue date and on the basis of the issue price.

Floating Rate Notes

This subsection uses several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and are defined under "— Special rate calculation terms" at the end of this subsection.

For each Floating Rate Note, interest will accrue, and the relevant Issuer will compute and pay accrued interest, as described under "— Types of Notes-Floating Rate Notes" above and "— Payment mechanics for Notes" below. In addition, the following will apply to Floating Rate Notes.

Base Rates

The relevant Issuer currently expects to issue Floating Rate Notes that bear interest at rates based on one or more of the following "Base Rates":

- Federal Funds Rate; and/or
- SOFR.

Each of the Base Rates is described in further detail below in this subsection.

Where the Note is a Floating Rate Note, the applicable Final Terms will specify the type of Base Rate that applies to the Note.

Each Floating Rate Note will be issued as described below. The applicable Note and any applicable Final Terms will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a "Regular Floating Rate Note," a "Floating Rate/Fixed Rate Note," a "Fixed Rate/Floating Rate Note," or an "Inverse Floating Rate Note," the Fixed Rate Commencement Date or Floating Rate Commencement Date (each as defined herein), if applicable, the fixed interest rate, if applicable, Base Rate, initial interest rate, if any, initial Interest Reset Date, interest reset period and dates, interest period and dates, record dates, Index Maturity, maximum interest rate and/or minimum interest rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

- unless such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," a "Fixed Rate/Floating Rate Note" or an "Inverse Floating Rate Note," or as having an addendum attached or having "other/additional provisions" apply, in each case relating to a different interest rate formula, such Floating Rate Note will be designated as a "Regular Floating Rate Note" and, except as described below or as specified in the applicable Note, will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date occurring after the issue date (the "**initial Interest Reset Date**"), the rate at which interest on such Regular Floating Rate Note shall be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate;
- if such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," then, except as described below or as specified in the applicable Note, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the initial Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that (x) the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate and (y) the interest rate in effect for the period commencing on the date specified in the applicable Final Terms (the "Fixed

Rate Commencement Date") to the maturity date will be the fixed interest rate, if such rate is specified in the applicable Note and the applicable Final Terms or, if no such fixed interest rate is specified, the interest rate in effect thereon on the business day immediately preceding the Fixed Rate Commencement Date;

- if such Floating Rate Note is designated as a "Fixed Rate/Floating Rate Note," then, except as described below or as specified in the applicable Note and the applicable Final Terms, such Floating Rate Note will bear interest at the fixed rate specified in such Note from the issue date to the date specified in the applicable Final Terms (the "**Floating Rate Commencement Date**") and the interest rate in effect for the period commencing on such Floating Rate Commencement Date will be the rate determined by reference to the applicable Base Rate (x) plus or minus the applicable Spread, if any, and/or (y) multiplied by the applicable Spread Multiplier, if any, each as specified in such Note or the applicable Final Terms. Commencing on the first Interest Reset Date after such Floating Rate Commencement Date, the rate at which interest on such Fixed Rate/Floating Rate Note will be payable will be reset as at each Interest Reset Date;
- if such Floating Rate Note is designated as an "Inverse Floating Rate Note," then, except as described below or as specified in the applicable Note, such Floating Rate Note will bear interest at the fixed interest rate minus the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that, unless otherwise specified in the applicable Note and the applicable Final Terms, the interest rate thereon will not be less than zero. Commencing on the initial Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate.

Initial Base Rate. For any Floating Rate Note, the Base Rate in effect from the issue date to the first Interest Reset Date will be the "Initial Base Rate" as specified in the applicable Final Terms. The Initial Base Rate will be specified in the applicable Final Terms.

Spread or Spread Multiplier. In some cases, the Base Rate for a Floating Rate Note may be adjusted:

- by adding or subtracting a specified number of basis points, called the "**Spread**", with one basis point being 0.01%; or
- by multiplying the Base Rate by a specified percentage, called the "**Spread Multiplier**".

Where the Note is a Floating Rate Note, the applicable Final Terms will specify whether a Spread or Spread Multiplier will apply to the Note and, if so, the amount of the Spread or Spread Multiplier.

Maximum and minimum Rates. The actual interest rate, after being adjusted by the Spread or Spread Multiplier, may also be subject to either or both of the following limits:

- a maximum rate-i.e., a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or
- a minimum rate-i.e., a specified lower limit that the actual interest rate in effect at any time may not fall below.

Where the Note is a Floating Rate Note, the applicable Final Terms will specify whether a maximum rate and/or minimum rate will apply to the Note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a Floating Rate Note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. federal law of general application. Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than US$250,000 is 16% and for any loan in the amount of US$250,000 or more but less than US$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of US$2,500,000 or more.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a Floating Rate Note.

Interest Reset Dates. The rate of interest on a Floating Rate Note will be reset by the Calculation Agent daily, weekly, monthly, quarterly, semi-annually, annually or at some other interval specified in the applicable Final Terms. The date on which the interest rate resets and the reset rate becomes effective is called the "**Interest Reset Date**". For Notes other than SOFR Notes, and except as otherwise specified in the applicable Final Terms, the Interest Reset Date will be as follows:

- for Floating Rate Notes that reset daily, each business day;
- for Floating Rate Notes that reset weekly, the Wednesday of each week;
- for Floating Rate Notes that reset monthly, the third Wednesday of each month;
- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of each of two months of each year as specified in the applicable Final Terms; and
- for Floating Rate Notes that reset annually, the third Wednesday of one month of each year as specified in the applicable Final Terms.

For a Floating Rate Note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest Interest Reset Date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

The Base Rate in effect from the issue date to the first Interest Reset Date will be the Initial Base Rate. For Floating Rate Notes that reset daily or weekly, the Base Rate in effect for each day following the second business day before an interest payment date to, but excluding, the interest payment date, and for each day following the second business day before the maturity date to, but excluding, the maturity date, will be the Base Rate in effect on that second business day.

If any Interest Reset Date for a Floating Rate Note would otherwise be a day that is not a business day, the Interest Reset Date will be postponed to the next day that is a business day.

For a SOFR Note, in relation to any interest period or Observation Period, as applicable, the Interest Reset Date will be each U.S. Government Securities Business Day (defined below under "—Special Rate Calculation Terms") during such interest period, or Observation Period, other than, if a Suspension Period is specified in the applicable Note and any applicable Final Terms, any U.S. Government Securities Business Day falling in the Suspension Period (defined below under "—Special Rate Calculation Terms") corresponding with the relevant interest period.

Interest Determination Dates. The interest rate that takes effect on an Interest Reset Date will be determined by the Calculation Agent by reference to a particular date called an "**Interest Determination Date**". Except as otherwise specified in the applicable Final Terms:

- For Federal Funds Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second business day before the Interest Reset Date.
- For SOFR Notes, the Interest Determination Date will be the U.S. Government Securities Business Day preceding the interest payment date by the Relevant Number of U.S. Government Securities Business Days (defined below under "—Special Rate Calculation Terms"). An Interest Determination Date for a SOFR Note is referred to as a "SOFR Interest Determination Date".

The "**Interest Determination Date**" pertaining to a Floating Rate Note, the interest rate of which is determined by reference to two or more Base Rates, will be the most recent business day which is at least two business days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Base Rate is determinable. Each Base Rate will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Interest Calculation Dates. As described above, the interest rate that takes effect on a particular Interest Reset Date will be determined by reference to the corresponding Interest Determination Date. However, for Federal Funds Rate Notes, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. The interest calculation date corresponding to the Interest Determination Date for Federal Funds Rate Notes means the earlier of:

- the tenth calendar day after the Interest Determination Date or, if that tenth calendar day is not a business day, the next succeeding business day; and
- the business day immediately preceding the interest payment date or the maturity date, whichever is the day on which the next payment of interest will be due.

The Calculation Agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

Interest Payment Dates. The interest payment dates (each an "**interest payment date**") for a Floating Rate Note will depend on when the interest rate is reset and, unless specified otherwise in the applicable Final Terms, will be as follows:

- for Floating Rate Notes that reset daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the applicable Final Terms;
- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of the two months of each year specified in the applicable Final Terms; or
- for Floating Rate Notes that reset annually, the third Wednesday of the month specified in the applicable Final Terms.

Regardless of these rules, if a Note is originally issued after the Regular Record Date (as defined herein) and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

If any interest payment date other than the maturity date for any Floating Rate Note would otherwise be a day that is not a business day, that interest payment date will be postponed to the next succeeding business day (and Following Business Day Convention will be specified in the applicable Final Terms), except that in the case of a SOFR Note where that business day falls in the next succeeding calendar month, that interest payment date will be the immediately preceding business day and interest shall accrue to, but excluding, such interest payment date as rescheduled (and Modified Following Business Day Convention will be specified in the applicable Final Terms). If the maturity date of a Floating Rate Note falls on a day that is not a business day, the required payment of principal, premium (for Senior Notes only) and interest will be made on the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the maturity date to the date of that payment on the next succeeding business day.

Calculation of interest. Calculations relating to Floating Rate Notes will be made by the "**Calculation Agent**", an institution that the relevant Issuer appoints as its agent for this purpose. That institution may include any affiliate of the relevant Issuer, such as ANZBGL. The applicable Final Terms for a particular Floating Rate Note will name the institution that the relevant Issuer has appointed to act as the Calculation Agent for that Note as of its issue date. The relevant Issuer has initially appointed The Bank of New York Mellon as its Calculation Agent for any Floating Rate Notes. The relevant Issuer may appoint a different institution to serve as Calculation Agent from time to time after the issue date of the Note without the consent of the holders and without notifying the holders of the change.

For each Floating Rate Note, the Calculation Agent will determine, on or before the corresponding interest calculation or determination date, the interest rate that takes effect on each Interest Reset Date (subject to the Benchmark Replacement condition described below). In addition, the Calculation Agent will calculate the amount of interest that has accrued during each interest period-i.e., the period from and including the issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the Calculation Agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the Floating Rate Note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be calculated by dividing the interest rate, expressed as a decimal, applicable to that day by 360.

Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide for that Note the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date. The Calculation Agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

1. All percentages resulting from any calculation relating to a Note will be rounded upward or downward, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point (0.000005) rounded upward (e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655)). All amounts used in or resulting from any calculation relating to a Floating Rate Note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.
2. In determining the Base Rate that applies to a Floating Rate Note during a particular interest period, the Calculation Agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the Calculation Agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant Floating Rate Notes and its affiliates, and they may include affiliates of the relevant Issuer.

Federal Funds Rate Notes

Where the Note is a Federal Funds Rate Note, the Note will bear interest at a Base Rate equal to the Federal Funds Rate and adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Federal Funds Rate will be the rate for U.S. dollar federal funds for the relevant Interest Determination Date, as published in H.15 opposite the heading "Federal Funds (effective)", as that rate is displayed on Reuters Page FEDFUNDS1 under the heading "EFFECT". If the Federal Funds Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above is not displayed on Reuters Page FEDFUNDS1 at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the Federal Funds Rate, for the relevant Interest Determination Date, will be the rate described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading "Federal funds (effective)".
- If the rate described in the prior paragraph is not displayed on Reuters Page FEDFUNDS1 and does not appear in H.15, H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Federal Funds Rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the business day following the relevant Interest Determination Date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the Calculation Agent.
- If fewer than three brokers selected by the Calculation Agent are quoting as described in the prior paragraph, the Federal Funds Rate in effect for the new interest period will be the Federal Funds Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

SOFR Notes

Where a Note is a SOFR Note, the Note will, except as provided below, bear interest at a Base Rate equal to (i) Compounded Daily SOFR (expressed as a percentage rate per annum) or (ii) Compounded SOFR Index Rate, in each case as determined by the Calculation Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the rate of interest) on the SOFR Interest Determination Date (as defined in "—Interest Determination Dates" above). References to "***Compounded SOFR***" refer to Compounded Daily SOFR or Compounded SOFR Index Rate, as the case may be.

Compounded Daily SOFR

"**Compounded Daily SOFR**" means, in relation to any interest period, the rate of return of a daily compound interest investment calculated in accordance with the following formula:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

"**d**" is the number of calendar days in:

(i) where "Lookback" or "Suspension Period" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant interest period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant Observation Period;

"$\mathbf{d_o}$" is the number of U.S. Government Securities Business Days in:

(i) where "Lookback" or "Suspension Period" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant interest period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant Observation Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in:

(i) where "Lookback" or "Suspension Period" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant interest period;

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Note and any applicable Final Terms, the relevant Observation Period;

"$\mathbf{n_i}$" means, for any U.S. Government Securities Business Day "i", the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day;

"$\mathbf{SOFR_i}$",

(i) where "Lookback" or "Suspension Period" is specified as the Observation Method in the applicable Note and any applicable Final Terms, for any U.S. Government Securities Business Day "i",

(A) if such U.S. Government Securities Business Day is an Interest Reset Date, SOFR (as defined below) for the U.S. Government Securities Business Day that precedes the Interest Reset Date by the Relevant Number of U.S. Government Securities Business Days; and

(B) if such U.S. Government Securities Business Day is not an Interest Reset Date (being a U.S. Government Securities Business Day falling in the Suspension Period), SOFR for the U.S. Government Securities Business Day that precedes the first day of the Suspension Period (the "**Suspension Period SOFRi**") by the Relevant Number of U.S. Government Securities Business Days. For the avoidance of doubt, the Suspension Period SOFRi shall apply to each day falling in the relevant Suspension Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Note and any applicable Final Terms, for any U.S. Government Securities Business Day "i", is equal to SOFR in respect of such U.S. Government Securities Business Day "i".

Compounded SOFR Index Rate

"**Compounded SOFR Index Rate**" means, with respect to any interest period, the rate computed in accordance with the following formula:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) x \left(\frac{360}{d_c}\right)$$

where:

"$\mathbf{d_c}$" means the number of calendar days from (and including) the day on which SOFR Index_{Start} is observed to (but excluding) the day on which SOFR Index_{End} is observed;

"**SOFR Index**" means, with respect to any U.S. Government Securities Business Day:

(1) the SOFR Index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at 3:00 P.M. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); provided that:

(2) if a SOFR Index value does not so appear as specified in (1) above at the SOFR Index Determination Time, then:

(i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, then the Base Rate shall be the rate determined pursuant to the "**SOFR Index Unavailable**" provisions; or

(ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR, then the Base Rate shall be the rate determined pursuant to the provisions set forth in the subsection entitled "—Benchmark Replacement for SOFR Notes";

"**SOFR $\mathbf{Index_{Start}}$**" means the SOFR Index value for the day that precedes the first date of the relevant interest period by the Relevant Number of U.S. Government Securities Business Days;

"**SOFR $\mathbf{Index_{End}}$**" means the SOFR Index value for the day that precedes the Interest Payment Date relating to such interest period by the Relevant Number of U.S. Government Securities Business Days; and

"**SOFR Index Unavailable**": If a SOFR Index_{Start} or SOFR Index_{End} is not published on the associated Interest Determination Date and a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, the Base Rate for the applicable interest period for which such index is not available shall be the rate of return on a daily compounded interest investment calculated in accordance with the formula for SOFR Averages, and definitions required for such formula, published on the SOFR Administrator's Website at https://www.newyorkfed.org/markets/treasury-reporeference-rates-information. For the purposes of this provision, references in the SOFR Averages compounding formula and related definitions to "calculation period" shall be replaced with "Observation Period" and the words "that is, 30-, 90-, or 180-calendar days" shall be removed. If the daily SOFR ("**SOFRi**") does not so appear for any day, "i" in the Observation Period, SOFRi for such day "i" shall be SOFR published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

Benchmark Replacement for SOFR Notes.

Notwithstanding the provisions in this subsection "—Interest Rates" regarding the calculation of the rate of interest relating to a SOFR Note, if the Notes bear interest at a Base Rate equal to Compounded SOFR (as defined below) (and for the avoidance of doubt, in each case, any subsequent Benchmark determined as a result of a Benchmark Replacement determination), then this "Benchmark Replacement for SOFR Notes" subsection shall apply.

(i) *Benchmark Replacement*. If the relevant Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of any determination of the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and all determinations on all subsequent dates.

(ii) *Benchmark Replacement Conforming Changes*. In connection with the implementation of a Benchmark Replacement, the relevant Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

(iii) *Decisions and Determinations*. Any determination, decision or election that may be made by the relevant Issuer or its designee pursuant to this subsection "Benchmark Replacement for SOFR Notes" including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, will be made in the relevant Issuer's or its designee's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.

For Subordinated Notes that are Floating Rate Notes, any Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes will be subject to ANZ Bank NZ giving the RBNZ at least five working days' prior notice in each case. Such notification must be accompanied by, among other things, a signed opinion from ANZ Bank NZ's New Zealand legal counsel confirming that, once the Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes (as applicable) is in effect, the Subordinated Notes will continue to qualify as Tier 2 Capital. The Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Change (as applicable) in respect of a Series of Subordinated Notes could not be applied if that Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Change (as applicable) would have the effect of increasing the rate of interest on such Subordinated Notes contrary to applicable prudential regulatory requirements.

Solely for the purposes of this "Benchmark Replacement for SOFR Notes" subsection:

"***Benchmark"*** means, initially, Compounded SOFR (as calculated as set forth in "—SOFR Notes" below, as applicable); ***provided***, in each case, that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR or SOFR Index used in the calculation thereof), or the then-current Benchmark, as applicable, then "Benchmark" means the applicable Benchmark Replacement.

"***Benchmark Replacement***" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

1. the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (for the applicable Corresponding Tenor, if any) and (b) the Benchmark Replacement Adjustment;

2. the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

3. the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (for the applicable Corresponding Tenor, if any) giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

"***Benchmark Replacement Adjustment***" means the first alternative set forth in the order below that can be determined by the relevant Issuer or its designee as of the Benchmark Replacement Date:

1. the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

2. if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment; or

3. the spread adjustment (which may be a positive or negative value or zero) that has been selected by the relevant Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (for the applicable Corresponding Tenor, if any) with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated floating rate notes at such time.

"***Benchmark Replacement Conforming Changes***" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the interest period, timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" (defined below) solely when such tenor is longer than the interest period and other administrative matters) that the relevant Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the relevant Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the relevant Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the relevant Issuer or its designee determines is reasonably necessary).

"***Benchmark Replacement Date***" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

1. in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

2. in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"***Benchmark Transition Event***" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

1. a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);
2. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark (or such component), which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
3. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"***Corresponding Tenor***" with respect to any Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"***ISDA Definitions***" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"***ISDA Fallback Adjustment***" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"***ISDA Fallback Rate***" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"***Reference Time***" with respect to any determination of the Benchmark means the SOFR Determination Time, as such time is defined in "—Special Rate Calculation Terms" below.

"***Relevant Governmental Body***" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"***Unadjusted Benchmark Replacement***" means the applicable Benchmark Replacement, in each case, excluding the applicable Benchmark Replacement Adjustment.

Special Rate Calculation Terms

This subsection entitled "—Interest rates" (except as otherwise specified in, and for the purposes of, the subsection entitled "—Benchmark Replacement for SOFR Notes") uses several terms that have special meanings relevant to calculating floating interest rates. These terms are described as follows:

The term "***business day***" means, for any Note, unless otherwise specified in the applicable Final Terms, a day that meets all of the following applicable requirements:

- for all Notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York, the City of Wellington, New Zealand, the City of Auckland, New Zealand or the City of London generally are authorized or obligated by law, regulation or executive order to close;
- if the Note has a Specified Currency of euros, is also a euro business day;
- if the Note has a Specified Currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the Specified Currency; and

solely with respect to any payment or other action to be made or taken at any place of payment designated by the relevant Issuer outside The City of New York, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in such place of payment generally are authorized or obligated by law, regulation or executive order to close.

The term "**euro business day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.

"**H.15**" means "Statistical Release H.15, Selected Interest Rates," or any successor publication as published weekly by the Board of Governors of the Federal Reserve System.

"**H.15 daily update**" means the daily update of H.15, available through the world wide website of the Board of Governors of the Federal Reserve System at *http://www.federalreserve.gov/releases/h15/update*, or any successor site or publication.

The term "**Index Maturity**" means, with respect to a (i) Fixed Rate Note, if the relevant Final Terms specifies one or more Fixed Rate Reset Dates, the period to maturity of the securities on which the interest rate applicable after each Fixed Rate Reset Date is based, as applicable, and (ii) Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, in each case, as specified in the applicable Final Terms.

"**Observation Period**" means, in respect of an interest period, the period (i) from (and including) the U.S. Government Securities Business Day that precedes the first day of the interest period by the Relevant Number of U.S. Government Securities Business Days (ii) to (but excluding) the U.S. Government Securities Business Day that precedes the interest payment date for such interest period by the Relevant Number of U.S. Government Securities Business Days.

The term "**principal financial center**" means (i) the capital city of the country issuing the Specified Currency in the applicable Note (which in the case of those countries whose currencies were replaced by the euro, will be Brussels, Belgium) or (ii) The City of New York.

"**Relevant Number**" means the number specified as such in the applicable Final Terms, which shall not be less than one.

The term "**representative amount**" means an amount that, in the Calculation Agent's judgment, is representative of a single transaction in the relevant market at the relevant time.

"**Reuters Page**" means the display on the Reuters 3000 Xtra Service, or any successor service, on the page or pages specified in this offering memorandum or the applicable Final Terms, or any replacement page or pages on that service.

"**Reuters Page FEDFUNDS1**" means the display on the Reuters Page designated as "FEDFUNDS1" or any replacement page or pages on that service for the purpose of displaying such a rate.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**");

(ii) if the rate specified in (i) above does not so appear, unless a Benchmark Transition Event and its related Benchmark Replacement Date have occurred as described in (iii) below (all as notified to the Calculation Agent by the relevant Issuer), the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

(iii) if the rate specified in (i) above does not so appear, and a Benchmark Transition Event and its related Benchmark Replacement Date have both occurred (all as notified to the Calculation Agent by the relevant Issuer), the rate determined in accordance with the provisions described, and as defined, above in "—Benchmark Replacement for SOFR Notes".

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source.

"**SIFMA**" means the Securities Industry and Financial Markets Association.

"**Suspension Determination Period**" means, if Suspension Determination Period is specified as applicable in the applicable Final Terms, the number of U.S. Government Securities Business Days as specified in such Final Terms.

"**Suspension Period**" means, in relation to any interest period, the period from (and including) the U.S. Government Securities Business Day which falls on a date equal to the number of U.S. Government Securities Business Days in the Suspension Determination Period prior to the end of such interest period to (but excluding) the interest payment date of such interest period.

"**U.S. Government Securities Business Day**" means any calendar day except for a Saturday, Sunday or a calendar day on which SIFMA recommends that the fixed income departments of its members be closed for the entire calendar day for purposes of trading in U.S. government securities.

If, when the relevant Issuer uses the terms H.15, H.15 daily update, or Reuters Page FEDFUNDS1, it refers to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the Calculation Agent.

Payment of additional amounts

The relevant Issuer will make all payments in respect of the Notes to all NRWT Holders (as defined below) of such Notes without withholding or deduction for, or on account of, any taxes, assessments or other governmental charges ("**relevant tax**") imposed or levied by or on behalf of New Zealand or, in the case of the ANZNIL Notes, the UK or any political subdivision or taxing authority in or of either of the foregoing jurisdictions or any other jurisdiction where the payor is domiciled or has a principal place of business (each, a "**relevant jurisdiction**") unless the withholding or deduction is required by law. In that event, the relevant Issuer will pay such additional amounts ("**additional amounts**") as may be necessary so that the net amount received by the holder of the Notes, after such withholding or deduction, will equal the amount that the holder would have received in respect of the Notes without such withholding or deduction. However, the relevant Issuer will pay no additional amounts:

- to the extent that the relevant tax is imposed or levied by virtue of the holder, or the beneficial owner, of the Notes having some connection (whether past or present) with a relevant jurisdiction, other than mere receipt of such payment or being a holder, or the beneficial owner, of the Notes;
- to the extent that the relevant tax is imposed or levied by virtue of the holder, or the beneficial owner, of the Notes not complying with any statutory requirements or not presenting any form or certificate or not having made a declaration of non-residence in, or lack of connection with, a relevant jurisdiction or any similar claim for exemption, if the relevant Issuer or its agent has provided the holder, or the beneficial owner, of the Notes with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;
- to the extent that the relevant tax is imposed or levied by virtue of the holder, or the beneficial owner, of the Notes having presented for payment more than 30 days after the date on which the payment in respect of the Notes first became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- to the extent that the relevant tax is imposed or levied by virtue of the holder, or the beneficial owner, of the Notes having presented the Notes for payment in a relevant jurisdiction, unless the Notes could not have been presented for payment elsewhere; or
- to the extent any combination of the above applies.

In addition, the relevant Issuer will pay no additional amounts to any holder who is a NRWT Holder and who is a fiduciary or partnership or person other than the sole beneficial owner of the payment in respect of the Notes to the extent such payment would, under the laws of a relevant jurisdiction, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to additional amounts had it been the holder of the Notes.

The term "**NRWT Holder**" means a holder who is not resident in New Zealand, other than:

(a) a holder that holds the Notes for the purposes of a business that the holder carries on in New Zealand through a fixed establishment in New Zealand; or

(b) a holder that is a registered bank engaged in business in New Zealand through a fixed establishment in New Zealand and is not associated with the Issuer.

In the above definition, reference to the following terms shall have the same meaning given to that term in the Income Tax Act 2007 (NZ), unless the context requires otherwise: (i) associated; (ii) fixed establishment; (iii) registered bank; and (iv) resident in New Zealand.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code (i.e., FATCA), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

Any RWT Holder (as defined below) will be required to notify the Issuer, Guarantor or any Paying Agent prior to the date on which it receives a payment of interest or redeems a Note of the fact it is a RWT Holder and of any circumstances that would enable it to receive a payment without deduction of New Zealand resident withholding tax. An RWT Holder must also notify of any change in its circumstances since its last notification. By accepting payment, the RWT Holder indemnifies the Issuer and Guarantor in respect of any liability for not deducting an amount of resident withholding tax.

The term "**RWT Holder**" means a holder who is not a NRWT Holder.

References in this Offering Memorandum or any Final Terms, in any context, to the payment of the principal of, or any premium (for Senior Notes only) or interest on, any Note or the net proceeds received on the sale or exchange of any Note, includes the payment of additional amounts to the extent that, in that context, additional amounts are, were or would be payable.

Additional amounts due in respect of the Guarantee will be on similar terms above and are set out in the Guarantee, which is attached to this Offering Memorandum as Annex C.

Any additional amounts due in respect of the Subordinated Notes will be subordinated in right of payment as described under "—Status and Subordination of Subordinated Notes" below.

Status of Senior Notes and Guarantee

The Senior Notes will be direct, unsecured, unsubordinated and general obligations of the relevant Issuer and will rank equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer (other than any obligation preferred by mandatory provisions of applicable law).

The Guarantee of ANZ Bank NZ with respect to the Senior Notes issued by ANZNIL will be a direct, unsecured, unsubordinated and general obligation of ANZ Bank NZ and will rank equally with all other present and future unsecured and unsubordinated obligations of ANZ Bank NZ (other than any obligation preferred by mandatory provisions of applicable law).

Neither the Senior Notes nor the Guarantee limits the amount of liabilities of ANZ Bank NZ or ANZNIL, as applicable, that can rank ahead of the Senior Notes or the Guarantee that the relevant Issuer or Guarantor may incur or assume in the future (including any obligation preferred by mandatory provisions of applicable law).

Status and Subordination of Subordinated Notes

Subordinated Notes may be issued under this program by ANZ Bank NZ only.

The Subordinated Notes will be direct, unsecured, subordinated and general obligations of ANZ Bank NZ. The claims of holders of Subordinated Notes will, in the event of the Liquidation of ANZ Bank NZ, rank behind in right of payment to all Senior Creditors of ANZ Bank NZ, equally with Equal Ranking Securities and ahead of Junior Ranking Securities.

> "**Equal Ranking Securities**" means all securities, instruments and other obligations that qualify as Tier 2 Capital or which rank or are expressed to rank equally with such securities, instruments or other obligations in a Liquidation of ANZ Bank NZ, present and future.
>
> "**Junior Ranking Securities**" means:
>
> (i) all fully paid securities and other instruments that qualify as Tier 1 Capital (including ordinary shares and perpetual preference shares), present and future; and
>
> (ii) all other securities and other instruments which rank or are expressed to rank behind Equal Ranking Securities, present and future.
>
> "**Senior Creditors**" means a creditor (including a depositor) of ANZ Bank NZ to whom ANZ Bank NZ is indebted in respect of deposits and other liabilities, securities, instruments and other obligations of ANZ Bank NZ other than Equal Ranking Securities or Junior Ranking Securities, present and future.

Neither ANZ Bank NZ nor a Subordinated Noteholder has any contractual right to set-off any sum at any time due and payable to a Subordinated Noteholder or ANZ Bank NZ (as applicable) under or in relation to the Subordinated Notes against amounts owing by such Subordinated Noteholder to ANZ Bank NZ or by ANZ Bank NZ to such Subordinated Noteholder (as applicable).

The Subordinated Notes do not limit the amount of liabilities ranking senior to the Subordinated Notes which may be hereafter incurred or assumed by ANZ Bank NZ.

In a Liquidation of ANZ Bank NZ, a Subordinated Noteholder's claim for an amount owing by ANZ Bank NZ in connection with a Subordinated Note is subordinated to the claims of Senior Creditors of ANZ Bank NZ, in that:

(i) all claims of Senior Creditors must be paid in full before the Subordinated Noteholder's claim is paid; and

(ii) until the Senior Creditors have been paid in full, the Subordinated Noteholder may not claim in the Liquidation of ANZ Bank NZ in competition with the Senior Creditors in a way that would diminish any distribution or payment which, but for that claim, the Senior Creditors would have been entitled to receive.

By its purchase of a Subordinated Note, each Subordinated Noteholder irrevocably acknowledges and agrees:

(i) that ANZ Bank NZ's obligations in respect of the Subordinated Note are subordinated to the payment of Senior Creditors, in the manner provided above;

(ii) that, in accordance with section 313(3) of the Companies Act, it is accepting a lower priority in respect of the debt represented by the Subordinated Notes than that which it would otherwise have under section 313 of the Companies Act;

(iii) that nothing in sections 310 or 313 of the Companies Act will prevent these subordination provisions from having effect in accordance with their terms;

(iv) not to exercise its voting rights as an unsecured creditor in the Liquidation of ANZ Bank NZ to defeat the subordination of the Subordinated Notes;

(v) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Liquidation of ANZ Bank NZ in respect of the Subordinated Note in excess of its entitlement under these subordination provisions;

(vi) that the subordination effected by these subordination provisions is not affected by any act or omission of ANZ Bank NZ or a Senior Creditor which might otherwise affect it at law or in equity; and

(vii) that neither ANZ Bank NZ nor a Subordinated Noteholder has any contractual right to set-off any sum at any time due and payable to a Subordinated Noteholder or ANZ Bank NZ (as applicable) under or in relation to the Subordinated Notes against amounts owing by the Subordinated Noteholder to ANZ Bank NZ or by ANZ Bank NZ to the Subordinated Noteholder (as applicable).

Nothing in these subordination provisions shall be taken to require the consent of any Senior Creditor to any amendment of these subordination provisions.

At March 31, 2023, the ANZ Bank NZ Group was subject to outstanding claims of its Senior Creditors in an aggregate principal amount of approximately US$105,970 million. At March 31, 2023, the ANZ Bank NZ Group was subject to outstanding claims of Equal Ranking Securities in an aggregate principal amount of approximately US$855 million.

ANZ Bank NZ expects that from time to time it will incur additional indebtedness and other obligations that will constitute claims of its Senior Creditors. The Subordinated Notes do not limit the amount of our liabilities that can rank ahead of the Subordinated Notes that ANZ Bank NZ may incur or assume in the future.

Redemption and repayment

The Notes will not be entitled to the benefit of any sinking fund, that is, the relevant Issuer will not deposit money on a regular basis into any separate custodial account to repay any Notes. In addition, the relevant Issuer will not be entitled to redeem a Note before its stated maturity unless the applicable Final Terms specifies a redemption commencement date. Holders of Senior Notes will not be entitled to require the relevant Issuer to redeem Notes or to buy Notes from them, before their stated maturity, unless the applicable Final Terms specifies one or more repayment dates. Subordinated Noteholders will not be entitled to require ANZ Bank NZ, as issuer of the Subordinated Notes, to redeem Subordinated Notes or to buy Subordinated Notes from them before their stated maturity.

If the applicable Final Terms specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of the Notes. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of Notes during those periods will apply.

If the applicable Final Terms specify a redemption commencement date, the Notes will be redeemable at the relevant Issuer's option at any time on or after that date or at a specified time or times as specified in the relevant Final Terms. If the relevant Issuer redeems a Note, it will do so at the specified redemption price, together with interest accrued to but excluding the redemption date. If different prices are specified for different redemption periods, the price the relevant Issuer pays will be the price that applies to the redemption period during which a Note is redeemed. Subordinated Notes may not be redeemed prior to the fifth anniversary of their issue date (other than due to the occurrence of a Subordinated Notes Tax Event or a Subordinated Notes Regulatory Event) and, in any case, without satisfying the Redemption Conditions.

In the case of Senior Notes only, if the applicable Final Terms specify a repayment date, the Senior Notes will be repayable at the holder's option on the specified repayment date at the specified repayment price, together with interest accrued to but excluding the repayment date.

If the relevant Issuer exercises an option to redeem any Note, it will give to the holder written notice of the principal amount of the Note to be redeemed, not less than 10 days nor more than 60 days before the applicable redemption date. If the relevant Issuer chooses to redeem a Tranche in part, the Fiscal Agent will select the Notes that will be redeemed by such usual method as it deems fair and appropriate. The relevant Issuer will give the notice in the manner described below under "—Notices". In the case of Subordinated Notes, an optional redemption date must fall on or after the fifth anniversary of the issue date. Redemption of Subordinated Notes is subject to the satisfaction of the Redemption Conditions, which are described in "Subordinated Notes—Redemption Conditions" and "Conditions of Payment in respect of Subordinated Notes".

If a Note represented by a Global Note is subject to repayment at the holder's option, the Depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect owners who own beneficial interests in the Global Note and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the Depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and holders and indirect owners should take care to act promptly enough to ensure that their request is given effect by the Depositary before the applicable deadline for exercise.

Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner. The relevant Issuer or its affiliates may purchase Notes from investors who are willing to sell from time to time in private transactions at negotiated prices. Notes that the relevant Issuer or its affiliates purchase may, at the relevant Issuer's discretion, be held, resold or cancelled.

Redemption of Senior Notes for taxation reasons

The relevant Issuer will have the right to redeem a Tranche of Senior Notes in whole, but not in part, at any time following the occurrence of a Senior Notes Tax Event (as defined herein); provided, however, that, if at the time there is available to the relevant Issuer the opportunity to eliminate the Senior Notes Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in its sole judgment has or will cause no adverse effect on the relevant Issuer or any of its subsidiaries or affiliates and will involve no material cost, the relevant Issuer will pursue that measure in lieu of redemption. The relevant Issuer may not deliver a notice of redemption earlier than 90 days before the earliest date on which ANZ Bank NZ or ANZNIL would be obligated to pay any additional amounts (if a payment in respect of a Senior Note was due on this date), and the relevant Issuer may only deliver a notice of redemption if its obligation to pay additional amounts remains in effect.

"**Senior Notes Tax Event**" means that there has been an amendment to or change in the laws or regulations of a relevant jurisdiction, or any amendment to or change in an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the issue date of the relevant Senior Notes or, in the event the relevant Issuer of the Senior Notes has merged, consolidated or sold substantially all of its assets after such date, the most recent date of such merger, consolidation or asset sale, following which any payment on a Tranche (or, in the case of the ANZNIL Notes, any payment on the Guarantee) is, or will be, subject to withholding or deduction in respect of any taxes, assessments or other governmental charges that did not apply prior to such amendment, change, proposed change, decision, pronouncement or action, and such obligation could not be avoided by the use of reasonable measures available to the relevant Issuer (or, in the case of the ANZNIL Notes, the Guarantor).

If the relevant Issuer redeems Senior Notes in these circumstances, the redemption price of each Senior Note redeemed will be equal to 100% of the principal amount of such Senior Note plus accrued and unpaid interest on such debt security to but excluding the date of redemption.

Redemption of Subordinated Notes for taxation reasons

Subject to the satisfaction of the Redemption Conditions described in "Subordinated Notes—Redemption Conditions", ANZ Bank NZ may at its option, at any time (if the Subordinated Note is not a Floating Rate Note) or on any Interest Payment Date (in the case of any Subordinated Note that is a Floating Rate Note) and on giving not more than 60 nor less than 10 days' written notice to the Subordinated Noteholders of the relevant Tranche (which notice shall be irrevocable) redeem the Subordinated Notes of the relevant Tranche, in whole, but not in part, at any time following the occurrence of a Subordinated Notes Tax Event (as defined below), at the principal amount thereof plus accrued and unpaid interest to but excluding the date fixed for redemption (unless the applicable Final Terms specifies another redemption price), provided that with respect to that Tranche no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant member of the ANZ Bank NZ Group would be exposed to an increase to its costs in relation to such Subordinated Note.

"**Subordinated Notes Tax Event**" means that ANZ Bank NZ determines, in its absolute discretion, that with respect to any Tranche of Subordinated Notes:

(i) there has been, or there will be, a change in any New Zealand law, regulation, ruling or directive (including by way of the imposition of, or any change to, any New Zealand law, regulation, ruling or directive);

(ii) there has been, or there will be, a change in the application, interpretation or administration of any New Zealand law, regulation, ruling or directive by any authority (including the New Zealand Inland Revenue Department); or

(iii) any member of the ANZ Bank NZ Group is or will be required to comply with a change in any New Zealand law regulation, ruling or directive or changed application, interpretation or administration,

which directly or indirectly affects the taxation treatment in relation to such Subordinated Notes with the effect that any member of the ANZ Bank NZ Group would be exposed to an increase to its costs in relation to such Subordinated Notes, provided that such event, is not minor and could not reasonably have been anticipated by ANZ Bank NZ at such issue date.

Prior to the delivery of any notice of redemption with respect to such Subordinated Notes, ANZ Bank NZ shall deliver to the Fiscal Agent a certificate signed by an authorized signatory of ANZ Bank NZ stating that ANZ Bank NZ is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to the right of the ANZ Bank NZ to redeem have occurred.

Redemption of Subordinated Notes for regulatory reasons

Subject to the conditions described in "Subordinated Notes—Redemption Conditions", ANZ Bank NZ may at its option, at any time (if the Subordinated Note is not a Floating Rate Note) or on any Interest Payment Date (in the case of any Subordinated Note that is a Floating Rate Notes) and on giving not more than 60 nor less than 10 days' written notice to the Subordinated Noteholders of the relevant Tranche (which notice shall be irrevocable) redeem the Subordinated Notes of the relevant Tranche in whole, but not in part, at any time following the occurrence of a Subordinated Notes Regulatory Event (as defined below), at the principal amount thereof plus accrued and unpaid interest to but excluding the date fixed for redemption (unless the applicable Final Terms specifies another redemption price).

"**Subordinated Notes Regulatory Event**" means a determination by ANZ Bank NZ, in its absolute discretion, that, with respect to any Tranche of Subordinated Notes, there has been, or there will be, any amendment to, clarification of, change in or to, change in the interpretation, application or administration of, or imposition of:

(i) any law, regulation or directive in New Zealand;

(ii) any official administrative pronouncement or action or judicial decision interpreting or applying any law, regulation or directive in New Zealand; or

(iii) any order, direction, standard, requirement (including any prudential regulation requirement), guideline or statement of the RBNZ (whether or not having the force of law),

in each case that applies, or is to apply, after the issue date of such Subordinated Notes and, as a result, either:

(A) ANZ Bank NZ is or will be adversely affected in relation to its regulatory capital treatment of such Subordinated Notes; or

(B) ANZ Bank NZ is not or will not be entitled to treat some or all such Subordinated Notes as Tier 2 Capital,

provided that such event is not minor and could not reasonably have been anticipated by ANZ Bank NZ at such issue date.

Prior to the delivery of any notice of redemption with respect to such Subordinated Notes, ANZ Bank NZ shall deliver to the Fiscal Agent a certificate signed by an authorized signatory of ANZ Bank NZ stating that ANZ Bank NZ is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to redemption by ANZ Bank NZ have been satisfied.

Subordinated Notes—Redemption Conditions

Notwithstanding anything to the contrary in this Offering Memorandum, ANZ Bank NZ may not (i) redeem any Subordinated Notes prior to their stated maturity or (ii) prior to the stated maturity of such Subordinated Notes, purchase, or procure that any of its subsidiaries purchase, any Subordinated Notes, in each case without the prior written approval of the RBNZ and without satisfying the Solvency Conditions.

In addition, ANZ Bank NZ will not be permitted to redeem a Tranche of Subordinated Notes prior to the stated maturity of such Tranche unless:

(i) either:

(A) the Subordinated Notes that are the subject of the redemption are replaced concurrently or beforehand with paid-up regulatory capital of the same or better quality and contributing at least the same regulatory capital amount (for the purposes of the RBNZ's capital adequacy requirements applying to ANZ Bank NZ at the time of the redemption) and the terms and conditions of the replacement instrument are sustainable for the income capacity of the ANZ Bank NZ Group; or

(B) if ANZ Bank NZ does not intend to replace the Subordinated Notes that are the subject of the redemption, ANZ Bank NZ has demonstrated to the RBNZ's satisfaction that, after such redemption, the ANZ Bank NZ Group's capital ratios would be sufficiently above their respective minimums and the prudential capital buffer ratio would be sufficiently above its buffer trigger ratio; and

(ii) ANZ Bank NZ has provided any information and supporting documentation required by the RBNZ's prudential regulatory requirements to the RBNZ.

Subordinated Noteholders should not expect that the RBNZ's approval will be given for any redemption or purchase of Notes.

Conditions of Payment in respect of Subordinated Notes

At any time before the stated maturity of a Subordinated Note or the Liquidation of ANZ Bank NZ:

(i) payment by ANZ Bank NZ of interest, principal or any other amount owing to a Subordinated Noteholder in connection with a Subordinated Note is conditional upon ANZ Bank NZ being Solvent at the time the payment is due; and

(ii) ANZ Bank NZ must not pay any amount to a Subordinated Noteholder in connection with a Subordinated Note except to the extent that ANZ Bank NZ may pay the amount and still be Solvent immediately after paying such amount,

and if, pursuant to the foregoing solvency conditions (the "**Solvency Conditions**"), ANZ Bank NZ fails to make any payment of principal, or interest, or any other amount (including additional amounts) in respect of any Subordinated Note when due, such failure will not constitute an Event of Default. The Solvency Conditions do not apply to payments in connection with a Subordinated Note on the stated maturity of such Subordinated Note.

A certificate signed by an authorized signatory or an auditor of ANZ Bank NZ or, in a Liquidation of ANZ Bank NZ, its liquidator as to whether ANZ Bank NZ is Solvent at any time is (in the absence of willful default, bad faith or manifest error) conclusive evidence of the information contained in the certificate and will be binding on the Subordinated Noteholders. In the absence of any such certificate, the Subordinated Noteholders are entitled to assume (unless the contrary is proved) that ANZ Bank NZ is Solvent at the time of, and will be Solvent immediately after, any payment on or in respect of the Subordinated Notes.

Any amount not paid due to the Solvency Conditions not being satisfied accumulates and remains a debt owing to the Subordinated Noteholder by ANZ Bank NZ until it is paid and will be due and payable on the earlier of (a) the first business day on which the Solvency Conditions are satisfied (whether or not such date is otherwise a payment date) and (b) the stated maturity.

If for any reason any principal amount has not been paid in full on the maturity date, interest will continue to accrue (after as well as before any demand judgment) on the unpaid principal amount at the applicable rate of interest to the date on which payment in full of such principal amount is made. If for any reason (including because of a failure to satisfy the Solvency Conditions) interest on a Subordinated Note has not been paid in full when due, then the unpaid amount of such interest will earn interest at the applicable rate of interest that applies to the Subordinated Notes, accruing daily, to but excluding the date on which payment in full of such unpaid interest is made. Such accrued interest is payable on the date on which the relevant principal amount or interest amount is paid in full.

Mergers and similar transactions

ANZ Bank NZ and ANZNIL are generally permitted to merge or consolidate with another corporation or other entity. ANZ Bank NZ and ANZNIL are also permitted to sell their respective assets substantially as an entirety to another corporation or other entity. However, ANZ Bank NZ or ANZNIL, as applicable, may not take any of these actions unless all the following conditions are met:

- if the successor entity in the transaction is not ANZ Bank NZ or ANZNIL, as applicable, the successor entity must be organized as a corporation, partnership or trust and, unless the assumption occurs by operation of law, must expressly assume the relevant Issuer's obligations under the Notes and the Fiscal Agency Agreement with respect to the Notes. The successor entity may be organized under the laws of New Zealand, the UK, the United States or any State thereof, the District of Columbia or any other member country of the Organization for Economic Cooperation and Development;
- immediately after the transaction, no default under the Notes has occurred and is continuing. For this purpose, "default under the Notes" means an Event of Default with respect to the Notes or any event that would be an Event of Default with respect to the Notes if the requirements for giving the relevant Issuer default notice and for the relevant Issuer's default having to continue for a specific period of time were disregarded. These matters are described below under "—Default, remedies and waiver of default"; and
- in the case of the successor entity, if such entity is not organized and validly existing under the laws of New Zealand or the UK, such successor entity shall expressly agree:
  - to indemnify each holder of the Notes against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and
  - that all payments pursuant to the Notes shall be made without withholding or deduction for, on account of, any tax of whatever nature imposed or levied on behalf of the jurisdiction of organization of such successor entity, or any political subdivision or taxing authority thereof or therein, unless such tax is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such successor entity will pay such additional amounts in order that the net amounts received by the holders after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by ANZ Bank NZ or ANZNIL of additional amounts in respect of the Notes (substituting the jurisdiction of organization of such successor entity for New Zealand or the UK). For the avoidance of doubt, any amounts to be paid on the Notes by such successor entity will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code (i.e., FATCA), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

If the conditions described above are satisfied with respect to the Notes, and the relevant Issuer delivers an officer's certificate and an opinion of counsel to that effect, the relevant Issuer will not need to obtain the approval of the holders of the Notes in order to merge or consolidate or to sell its assets. Also, these conditions will apply only if the relevant Issuer wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The relevant Issuer will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which it acquires the stock or assets of another entity, any transaction that involves a change of control of ANZ Bank NZ or ANZNIL, as applicable, but in which they do not merge or consolidate and any transaction in which the relevant Issuer sells less than substantially all of its assets.

Also, if ANZ Bank NZ or ANZNIL merge, consolidate or sell their assets substantially as an entirety and the successor is a non-New Zealand entity, neither they nor any successor would have any obligation to compensate the holders for any resulting adverse tax consequences relating to the Notes.

Notwithstanding the above, the terms of the Subordinated Notes do not prevent ANZ Bank NZ from consolidating with or merging into any other person or conveying, transferring or leasing its properties and assets substantially as an entirety to any person, or from permitting any person to consolidate with or merge into it or to convey, transfer or lease its properties and assets substantially as an entirety to it, in each case where such consolidation, merger, conveyance, transfer or lease:

- occurs as part of a recapitalization plan that has been developed by ANZ Bank NZ in consultation with, and agreed to by, the RBNZ and which ANZ Bank NZ is required by the RBNZ to implement; or
- is required by the RBNZ (including by giving a direction to ANZ Bank NZ) or any statutory manager or similar official appointed to ANZ Bank NZ under any law or prudential regulation applicable in New Zealand (including without limitation the BPS Act, which term includes any amendments thereto, regulations thereunder and any successor laws, amendments and regulations).

Covenant defeasance of Senior Notes

The applicable Final Terms will specify whether or not the provisions for covenant defeasance described below apply to the Notes. The provisions for covenant defeasance described below do not apply to Subordinated Notes.

Under current U.S. federal tax law, the relevant Issuer can make a deposit and no longer be subject to any covenant or agreement that would otherwise grant the holders a right to accelerate the maturity of the Notes. This is called covenant defeasance. In that event, the holders would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any Notes, the following conditions must be satisfied:

- the relevant Issuer must deposit in trust for the benefit of all direct Holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash, in the written opinion of a nationally recognized firm of independent public accountants to make interest, principal and any other payments on the Notes on their various due dates; and
- the relevant Issuer must deliver to the defeasance trustee, who may be the Fiscal Agent, a legal opinion of counsel confirming that under current U.S. federal income tax law the relevant Issuer may make the above deposit without causing the Holders of Notes to be taxed on the Notes any differently than if it did not make the deposit and just repaid the Notes.

No Event of Default or event which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date the deposit in trust described above is made.

The covenant defeasance must not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the relevant Issuer is a party or by which the relevant Issuer is bound.

The covenant defeasance must not result in the trust described above constituting an investment company as defined in the Investment Company Act of 1940, as amended, or the trust must be qualified under that Act or exempt from regulation thereunder.

The relevant Issuer must deliver to the defeasance trustee a certificate to the effect that the Notes, if then listed on the London Stock Exchange, will not be delisted as a result of the deposit in trust described above.

The relevant Issuer must deliver to the Fiscal Agent and the defeasance trustee a certificate and an opinion of counsel, each stating that all the conditions described above have been satisfied.

If the relevant Issuer accomplishes covenant defeasance on the Note, the holders can still look to the relevant Issuer for repayment of the Note in the event of any shortfall in the trust deposit. Holders should note, however, that if one of the remaining events of default occurred, such as the relevant Issuer's bankruptcy, and the Note became immediately due and payable, there may be a shortfall. Depending on the event causing the default, the holders may not be able to obtain payment of the shortfall.

Default, remedies and waiver of default

Holders will have special rights if an Event of Default with respect to their Notes occurs and is continuing, as described in this subsection.

Events of Default – Senior Notes

Reference to an Event of Default with respect any Tranche of Senior Notes, means any of the following:

- the relevant Issuer does not pay the principal or any premium on any Senior Note of such Tranche within 15 days after the due date;
- the relevant Issuer does not pay interest on any Senior Note of such Tranche within 30 days after the due date;
- the relevant Issuer remains in breach of any covenant it makes for the benefit of the Senior Notes of such Tranche, for 60 days after it receives written notice of default stating that it is in breach and requiring it to remedy the breach. The notice must be sent by the Fiscal Agent or the holders of at least 10% in principal amount of the Senior Notes of such Tranche; or
- in the case of ANZ NZ Notes, ANZ Bank NZ or, in the case of ANZNIL Notes, either ANZNIL or ANZ Bank NZ file for bankruptcy or other events of bankruptcy, insolvency or reorganization relating to either ANZ Bank NZ or ANZNIL, as applicable, occur.

Remedies if an Event of Default occurs – Senior Notes

If an Event of Default has occurred with respect to any Senior Note and has not been cured or waived, the holder of such Senior Note may, at its option, by written notice to the relevant Issuer and the Fiscal Agent, and, in the case of ANZNIL Notes, to ANZ Bank NZ, declare the principal, premium, if any, and all unpaid interest on that Note to be due and payable immediately.

Events of Default – Subordinated Notes

Reference to an Event of Default with respect to any Subordinated Notes means any of the following:

(i) the commencement of Liquidation of ANZ Bank NZ; and

(ii) subject to the Solvency Conditions being satisfied:

(A) default in the payment of interest on such Subordinated Notes when due, continued for 15 days; or
(B) default in the payment of principal of such Subordinated Notes when due, continued for 7 days.

Remedies if an Event of Default occurs – Subordinated Notes

Upon the occurrence of an Event of Default specified in paragraph (i) of "—Events of Default – Subordinated Notes" above with respect to any Tranche of Subordinated Notes, subject to the subordination provisions described in "Status and Subordination of Subordinated Notes", the principal of, and all accrued and unpaid interest on, such Subordinated Notes will automatically become due and payable.

If an Event of Default contemplated by paragraph (ii) of "—Events of Default – Subordinated Notes" above with respect to any of the Subordinated Notes occurs and is continuing, a Subordinated Noteholder may only, in order to enforce the obligations of ANZ Bank NZ under such Subordinated Notes, bring judicial proceedings:

(a) to recover any amount then due and payable but unpaid on such Subordinated Notes (subject to satisfaction of the Solvency Conditions);

(b) to obtain an order for specific performance of any other obligation in respect of such Subordinated Notes; or

(c) for the Liquidation of ANZ Bank NZ.

In accordance with the subordination provision described in "Status and Subordination of Subordinated Notes", until all Senior Creditors have been paid in full, a Subordinated Noteholder may not claim in the Liquidation of ANZ Bank NZ in competition with the Senior Creditors in a way that would diminish any distribution or payment which, but for that claim, the Senior Creditors would have been entitled to receive.

No remedy against ANZ Bank NZ, other than those referred to in "Remedies if an Event of Default occurs — Subordinated Notes", shall be available to the Subordinated Noteholders in respect of Subordinated Notes as a consequence of an Event of Default with respect to those Subordinated Notes.

Waiver of default

The holders of not less than 50% in principal amount of the Notes may waive a default for all Notes. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on a Note, however, without the approval of the holder of that Note.

Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the Fiscal Agent and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described below under "Legal Ownership and Book-Entry Issuance".

Modification of the Fiscal Agency Agreement and waiver of covenants

There are three types of changes the relevant Issuer can make to the Fiscal Agency Agreement and the Notes, and these changes may have U.S. federal tax consequences for holders.

Changes requiring each holder's approval

First, there are changes that cannot be made without the written consent or the affirmative vote or approval of each holder affected by the change. Here is a list of those types of changes:

- change the due date for the payment of principal of, or premium (for Senior Notes only), if any, or any installment of interest on any Note;
- reduce the principal amount of any Note, the portion of any principal amount that is payable upon acceleration of the maturity of the Note, the interest rate or any premium (for Senior Notes only) payable upon redemption;
- change the subordination provisions of a Subordinated Note applicable thereto, in a manner adverse to the holder of the Subordinated Note;
- change the currency of any payment on a Note;
- change the relevant Issuer's obligation to pay additional amounts;
- shorten the period during which redemption of the Notes is not permitted or permit redemption during a period not previously permitted;
- change the place of payment on a Note;
- reduce the percentage of principal amount of the Notes outstanding necessary to modify, amend or supplement the Fiscal Agency Agreement or the Notes or to waive past defaults or future compliance;
- reduce the percentage of principal amount of the Notes outstanding required to adopt a resolution or the required quorum at any meeting of holders of Notes at which a resolution is adopted; or
- change any provision in a Note with respect to redemption at the holders' option in any manner adverse to the interests of any holder of the Notes.

Changes not requiring approval

The second type of change does not require any approval by holders. These changes are limited to curing any ambiguity or curing, correcting or supplementing any defective provision, or modifying the Fiscal Agency Agreement, the Guarantee or the Notes in any manner determined by the relevant Issuer and the Fiscal Agent to be consistent with the Notes and the Guarantee and not adverse to the interest of any holder.

Changes requiring majority approval

Any other change to the Fiscal Agency Agreement and the Notes would require the following approval:

- the written consent of the holders of at least 50% of the aggregate principal amount of the Notes at the time outstanding; or
- the adoption of a resolution at a meeting at which a quorum of holders is present by 50% of the aggregate principal amount of the Notes then outstanding represented at the meeting.

The same 50% approval would be required for the relevant Issuer to obtain a waiver of any of its covenants in the Fiscal Agency Agreement. The relevant Issuer's covenants include the promises it makes about merging, which are described above under "— Mergers and similar transactions". If the holders approve a waiver of a covenant, the relevant Issuer will not have to comply with it.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of the aggregate principal amount of the Notes outstanding. For purposes of determining whether holders of the aggregate principal amount of Notes required for any action or vote, or for any quorum, have taken the action or vote, or constitute a quorum, the principal amount of any particular Note may differ from its principal amount at stated maturity but will not exceed its stated face amount upon original issuance.

The relevant Issuer will be entitled to set any day as a record date for determining which holders of book-entry Notes are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal Agency Agreement. In addition, record dates for any book-entry Note may be set in accordance with procedures established by the Depositary from time to time. Therefore, record dates for book-entry Notes may differ from those for other Notes. Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if the relevant Issuer seeks to change the Fiscal Agency Agreement or any Notes or request a waiver.

Changes requiring RBNZ notification

No change that amends the terms of any Tranche of Subordinated Notes shall be of any effect unless the RBNZ has been given at least five working days' prior notice of such change by ANZ Bank NZ and ANZ Bank NZ has provided any information and supporting documentation required by the RBNZ's prudential regulatory requirements to the RBNZ including a signed opinion from ANZ Bank NZ's New Zealand legal counsel confirming that, once the change is in effect, such Subordinated Notes will continue to qualify as Tier 2 Capital. This means that no such change may be made if the effect of the change would be that the Subordinated Notes would no longer qualify as Tier 2 Capital.

Special rules for action by holders

When holders take any action under the Fiscal Agency Agreement, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the Fiscal Agent an instruction, the Issuer will apply the following rules.

Only outstanding Notes are eligible

Only holders of outstanding Notes will be eligible to participate in any action by holders. Also, the Issuer will count only outstanding Notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a Note will not be "outstanding":

- if it has been surrendered for cancellation;
- if the relevant Issuer has deposited or set aside, in trust for its holder, money for its payment or redemption;
- if the relevant Issuer has fully defeased it as described above under "— Covenant defeasance"; or
- if the relevant Issuer or one of its affiliates, such as ANZBGL, is the owner.

Eligible principal amount of some Notes

In some situations, the relevant Issuer may follow special rules in calculating the principal amount of a Note that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency increases over time or is not to be fixed until the maturity date.

For any Note of the kind described below, the relevant Issuer will decide how much principal amount to attribute to the Note as follows:

- for an Original Issue Discount Note, the relevant Issuer will use the principal amount that would be due and payable on the action date if the maturity of the Note were accelerated to that date because of a default;
- for a Note whose principal amount is not known, the relevant Issuer will use any amount that it indicates in the applicable Final Terms for that Note; or
- for Notes with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, the relevant Issuer will use the U.S. dollar equivalent, which the relevant Issuer will determine.

Form, exchange and transfer of Notes

If any Notes cease to be issued in registered global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless the relevant Issuer indicates otherwise in the applicable Final Terms, in denominations of US$200,000, or greater (or the equivalent thereof in another currency or composite currency).

Holders may exchange their Notes for Notes of smaller denominations or combine them into fewer Notes of larger denominations, as long as the total principal amount is not changed. Holder's may not exchange their Notes for Notes of a different series or having different terms.

Holders may exchange or transfer their Notes at the office of the Fiscal Agent. They may also replace lost, stolen, destroyed or mutilated Notes at that office. The relevant Issuer has appointed the Fiscal Agent to act as its agent for registering Notes in the names of holders and transferring and replacing Notes. The relevant Issuer may appoint another entity to perform these functions or perform them itself.

Holders will not be required to pay a service charge to transfer or exchange their Notes, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if the relevant Issuer's transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any Notes.

If the relevant Issuer has designated additional transfer agents for a particular Tranche of Notes, they will be named in the applicable Final Terms. The relevant Issuer may appoint additional transfer agents or cancel the appointment of any particular transfer agent. The relevant Issuer may also approve a change in the office through which any transfer agent acts.

If any Notes are redeemable and the relevant Issuer redeems less than all those Notes, it may block the transfer or exchange of those Notes during the period beginning 15 days before the day it mails the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. The relevant Issuer may also refuse to register transfers of or exchange any Note selected for redemption, except that it will continue to permit transfers and exchanges of the unredeemed portion of any Note being partially redeemed.

If a Note is issued as a Global Note, only the Depositary (e.g., DTC, Euroclear and Clearstream, Luxembourg) will be entitled to transfer and exchange the Note as described in this subsection, because the Depositary will be the sole holder of the Note.

Payment mechanics for Notes

Who receives payment?

If interest is due on a Note on an interest payment date, the relevant Issuer will pay the interest to the person in whose name the Note is registered at the close of business on the Regular Record Date relating to the interest payment date as described below under "—Payment and record dates for interest". If interest is due at maturity, the relevant Issuer will pay the interest to the person entitled to receive the principal of the Note. If principal or another amount besides interest is due on a Note at maturity, the relevant Issuer will pay the amount to the holder of the Note against surrender of the Note at a proper place of payment or, in the case of a Global Note, in accordance with the applicable policies of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg.

Payment and record dates for interest

Interest on any Fixed Rate Note will be payable with the frequency specified in the applicable Final Terms on the date or dates set forth in the applicable Final Terms and at stated maturity. The Regular Record Date relating to an interest payment date for any Fixed Rate Note will also be set forth in the applicable Final Terms. The Regular Record Date relating to an interest payment date for any Floating Rate Note will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a "business day", as defined above. For the purpose of determining the holder at the close of business on a Regular Record Date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

How the Issuers will make payments due in U.S. dollars

The relevant Issuer will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Notes. The relevant Issuer will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. Under those policies, the relevant Issuer will pay directly to the Depositary, or its nominee, and not to any indirect owners who own beneficial interests in the Global Note. An indirect owner's right to receive those payments will be governed by the rules and practices of the Depositary and its participants, as described below in the section entitled "Legal Ownership and Book-Entry Issuance-What is a Global Note?"

Payments on non-Global Notes. The relevant Issuer will make payments on a Note in non-global, registered form as follows. The relevant Issuer will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the Fiscal Agent's records as of the close of business on the Regular Record Date. The relevant Issuer will make all other payments by check at the Paying Agent described below, against surrender of the Note. All payments by check will be made in next-day funds-*i.e.*, funds that become available on the day after the check is cashed.

Alternatively, if a non-Global Note has a face amount of at least US$5,000,000 and the holder asks the relevant Issuer to do so, the relevant Issuer will pay any amount that becomes due on the Note by wire transfer of immediately available funds to an account at a bank in the City of New York on the due date. To request wire payment, the holder must give the Paying Agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the relevant Regular Record Date. In the case of any other payment, payment will be made only after the Note is surrendered to the Paying Agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Notes.

How Issuers will make payments due in other currencies

The Issuers will follow the practice described in this subsection when paying amounts that are due in a Specified Currency other than U.S. dollars.

Payments on Global Notes. The relevant Issuer will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. DTC will be the Depositary for all Notes in global form. The relevant Issuer understands that DTC's policies, as currently in effect, are as follows.

Indirect owners of Global Notes denominated in a Specified Currency other than U.S. dollars and who have the right to elect to receive payments in that other currency and do so elect, must notify the participant through which their interest in the Global Note is held of their election:

- on or before the applicable Regular Record Date, in the case of a payment of interest; or
- on or before the 16th day before the stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium (for Senior Notes only).

The indirect owner's participant must, in turn, notify DTC of the election on or before the third DTC business day after that Regular Record Date, in the case of a payment of interest, and on or before the 12th DTC business day before the stated maturity, or on the redemption or repayment date if the Notes are redeemed or repaid earlier, in the case of a payment of principal or any premium (for Senior Notes only).

DTC, in turn, will notify the Paying Agent of the election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the Paying Agent, on or before the dates noted above, the Paying Agent, in accordance with DTC's instructions, will make the payments to the indirect owner or its participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the Specified Currency or in another jurisdiction acceptable to the relevant Issuer and the Paying Agent.

If the foregoing steps are not properly completed, the relevant Issuer expects DTC to inform the Paying Agent that payment is to be made in U.S. dollars. In that case, the relevant Issuer or its agent will convert the payment to U.S. dollars in the manner described below under "— Conversion to U.S. dollars". The relevant Issuer expects that the relevant Issuer or its agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect owners of a Global Note denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the Specified Currency.

Payments on non-Global Notes. Except as described in the last paragraph under this heading, the relevant Issuer will make payments on Notes in non-global form in the applicable Specified Currency. The relevant Issuer will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable Specified Currency at a bank designated by the holder and is acceptable to the relevant Issuer and the Fiscal Agent. To designate an account for wire payment, the holder must give the Paying Agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the Regular Record Date. In the case of any other payment, the payment will be made only after the Note is surrendered to the Paying Agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, the relevant Issuer will notify the holder at the address in the Fiscal Agent's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the Fiscal Agency Agreement as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a Note in non-global form may be due in a Specified Currency other than U.S. dollars, the relevant Issuer will make the payment in U.S. dollars if the holder asks the relevant Issuer to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the Fiscal Agent at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the holder on the Regular Record Date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Book-entry and other indirect owners of a Note with a Specified Currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the Specified Currency or in U.S. dollars.

Conversion to U.S. dollars. When the relevant Issuer is asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a Global Note or a non-Global Note as described above, the exchange rate agent described below will calculate the U.S. dollar amount the holder receives in the exchange rate agent's discretion. A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency is not available. If the relevant Issuer is obligated to make any payment in a Specified Currency other than U.S. dollars, and the Specified Currency or any successor currency is not available to it due to circumstances beyond its control - such as the imposition of exchange controls or a disruption in the currency markets, the relevant Issuer will be entitled to satisfy its obligation to make the payment in that Specified Currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the exchange rate agent described below, in its discretion.

The foregoing will apply to any Note, whether in global or non-global form, and to any payment, including a payment at the maturity date. Any payment made under the circumstances and in a manner described above will not result in a default under any Note or the Fiscal Agency Agreement.

Exchange rate agent. If the relevant Issuer issues a Note in a Specified Currency other than U.S. dollars, it will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the Note is originally issued in the applicable Final Terms. The relevant Issuer may select ANZBGL or another of its affiliates to perform this role. The relevant Issuer may change the exchange rate agent from time to time after the issue date of the Note without the consent of the holder and without notifying the holder of the change.

All determinations made by the exchange rate agent will be in its sole discretion unless the relevant Issuer states in this Offering Memorandum that any determination requires its approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on holders and the Issuer, without any liability on the part of the exchange rate agent.

Payment when offices are closed

If any payment is due on a Note on a day that is not a business day, the relevant Issuer will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the Fiscal Agency Agreement as if they were made on the original due date. Postponement of this kind will not result in a default under any Note or the Fiscal Agency Agreement. However, if any interest payment date, other than the one that falls on the maturity date for a SOFR Note would otherwise fall on a day that is not a business day and the next business day falls in the next calendar month, then the interest payment date will be the immediately preceding business day. The term business day has a special meaning, which is described above under "—Interest rates—Business Day".

Paying Agents

The relevant Issuer may appoint one or more financial institutions to act as its paying agents, at whose designated offices Notes in non-global entry form may be surrendered for payment at their maturity. The relevant Issuer calls each of those offices a "**Paying Agent**". The relevant Issuer may add, replace or terminate Paying Agents from time to time; provided that at all times there will be a Paying Agent in the Borough of Manhattan, The City of New York. The relevant Issuer may also choose to act as its own Paying Agent. Initially, the relevant Issuer has appointed the Fiscal Agent, at its corporate trust office in New York City, as the Paying Agent. In addition, for so long as any Notes are listed on the Official List and admitted to trading on the London Stock Exchange's Main Market, the relevant Issuer will maintain a Paying Agent with offices in the City of London, which is referred to as the "**London Paying Agent**". The relevant Issuer has initially appointed the Fiscal Agent, at its corporate trust office in the City of London, as the London Paying Agent. The relevant Issuer must notify the Fiscal Agent of changes in the Paying Agents.

Unclaimed payments

Regardless of who acts as Paying Agent, all money paid by the relevant Issuer to a Paying Agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to the Issuer. After that two-year period, the holder may look only to the relevant Issuer for payment and not to the Fiscal Agent, any other Paying Agent or anyone else.

Notices

Notices to be given to holders of a Global Note will be given only to the Depositary, in accordance with its applicable policies as in effect from time to time.

Notices to be given to Holders of Notes not in global form will be sent by mail, by overnight courier or by facsimile or other electronic means of transmission (including e mail) to the respective addresses of the Holders as they appear in the Fiscal Agent's records, and will be deemed given when given in accordance with the terms of the Notes. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

Relationship with the Fiscal Agent

The Bank of New York Mellon is initially serving as the Fiscal Agent for the Notes issued under the Fiscal Agency Agreement. The Bank of New York Mellon has provided commercial banking and other services for the Issuers and its affiliates in the past and may do so in the future. Among other things, The Bank of New York Mellon serves as trustee or agent with regard to other debt obligations of ANZBGL.

Prescription

There are no time limits affecting the validity of claims to interest and repayment of principal under the Notes.

Governing law

The Notes, the Guarantee and the Fiscal Agency Agreement are governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except that (i) the subordination provisions of the Subordinated Notes; and (ii) all matters governing authorization and execution of the Notes, the Guarantee and the Fiscal Agency Agreement by ANZ Bank NZ or ANZNIL, in each case are governed by the laws of New Zealand. The Issuers have appointed Australia and New Zealand Banking Group Limited with its offices at 1177 Avenue of the Americas, New York, New York, 10036, United States, as its agent for service of process in The City of New York in connection with any action arising out of the sale of the Notes, the Guarantee or enforcement of the terms of the Fiscal Agency Agreement.

5. LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE

This section describes special considerations that will apply to Notes issued in global - i.e., book-entry-form. First the difference between legal ownership and indirect ownership of Notes is described. Then the special provisions that apply to Global Notes are described.

Who is the legal owner of a registered Note?

Each Note in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of Notes. Those who have Notes registered in their own names, on the books that the relevant Issuer or the Fiscal Agent or other agent maintain for this purpose, are referred to as the "holders" of those Notes. These persons are the legal holders of the Notes. Those who, indirectly through others, own beneficial interests in Notes that are not registered in their own names are referred to as indirect owners of those Notes. As discussed below, indirect owners are not legal holders, and investors in Notes issued in book-entry form or in street name will be indirect owners.

Book-entry owners

Each Note will be issued in book-entry form only. This means that Notes will be represented by one or more Global Notes registered in the name of a financial institution that holds them as Depositary on behalf of other financial institutions that participate in the Depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the Notes on behalf of themselves or their customers.

Under the Fiscal Agency Agreement, only the person in whose name a Note is registered is recognized as the holder. Consequently, for Notes issued in global form, the relevant Issuer will recognize only the Depositary as the holder and the relevant Issuer will make all payments on the Notes, including deliveries of any property other than cash, to the Depositary. The Depositary passes along the payments it receives to its participants, which, in turn, pass the payments along to their customers who are the beneficial owners. The Depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the Notes.

As a result, investors will not own Notes directly. Instead, they will own beneficial interests in a Global Note, through a bank, broker or other financial institution that participates in the Depositary's book-entry system or holds an interest through a participant. As long as the Notes are issued in global form, investors will be indirect owners, and not holders, of the Notes.

Street name owners

In the future, the relevant Issuer may terminate a Global Note or issue Notes initially in non-global form. In these cases, investors may choose to hold their Notes in their own names or in street name. Notes held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those Notes through an account he or she maintains at that institution.

For Notes held in street name, the relevant Issuer will recognize only the intermediary banks, brokers and other financial institutions in whose names the Notes are registered as the holders and the relevant Issuer will make all payments on those Notes, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so, not because they are obligated to do so under the terms of the Notes. Investors who hold Notes in street name will be indirect owners, not holders, of those Notes.

Legal holders

The relevant Issuer's obligations, as well as the obligations of the Fiscal Agent under the Fiscal Agency Agreement and the obligations, if any, of any third parties employed by the relevant Issuer or any other agent, run only to the holders of the Notes issued by the relevant Issuer. The relevant Issuer does not have obligations to investors who hold beneficial interests in Global Notes, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a Note or has no choice because the Notes are issued only in global form.

For example, once the relevant Issuer makes a payment or gives a notice to the holder, it has no further responsibility for that payment or notice even if that holder is required, under agreements with Depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if the relevant Issuer wants to obtain the approval of the holders for any purpose (*e.g.*, to amend the Fiscal Agency Agreement or to relieve it of the consequences of a default or of its obligation to comply with a particular provision of the Fiscal Agency Agreement) the relevant Issuer would seek the approval only from the holders, and not the indirect owners, of the relevant Notes. Whether and how the holders contact the indirect owners is up to the holders.

Special considerations for indirect owners

Indirect owners who hold Notes through a bank, broker or other financial institution, either in book-entry form or in street name, should check with their own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how they can instruct it to exercise any rights to purchase or sell Notes or to exchange or convert a Note for or into other property;
- how it would handle a request for the holders' consent, if ever required;
- whether and how they can instruct it to send Notes registered in their own name so they can be a holder, if that is permitted in the future;
- how it would exercise rights under the Notes if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the Notes are in book-entry form, how the Depositary's rules and procedures will affect these matters.

What is a Global Note?

Each Note will be issued in book-entry form only. Each Note issued in book-entry form will be represented by a Global Note that the relevant Issuer deposits with and register in the name of one or more financial institutions or clearing systems, or their nominees, which the relevant Issuer selects. A financial institution or clearing system that the relevant Issuer selects for any Note for this purpose is called the "Depositary" for that Note. A Note will usually have only one Depositary but it may have more.

A Global Note may represent one or any other number of individual Notes. Generally, all Notes represented by the same Global Note will have the same terms. A Global Note may not be transferred to or registered in the name of anyone other than the Depositary or its nominee or a successor to the Depositary or its nominee, unless special termination situations arise. Those situations are described below under "—Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated". As a result of these arrangements, the Depositary, or its nominee, will be the sole registered owner and holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that, in turn, has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a holder, but only an indirect owner of an interest in the Global Note.

If the applicable Final Terms indicate that the Note will be issued in global form only, then the Note will be represented by a Global Note at all times unless and until the Global Note is terminated. The situations in which this can occur are described below under "—Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated". If termination occurs, the Notes may be issued through another book-entry clearing system or the relevant Issuer may decide that the Notes may no longer be held through any book-entry clearing system.

Special considerations for Global Notes

As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor's financial institution or other intermediary through which it holds its interest (*e.g.,* Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. The relevant Issuer does not recognize this type of investor or any intermediary as a holder and instead deals only with the Depositary that holds the Global Note.

If Notes are issued only in the form of a Global Note, an investor should be aware of the following:

- an investor cannot cause the Notes to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the Notes, except in the special situations described below;
- an investor will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes, as described above under "—Who is the legal owner of a registered Note?";
- an investor may not be able to sell interests in the Notes to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;
- an investor may not be able to pledge his or her interest in a Global Note in circumstances where certificates representing the Notes must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- the Depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a Global Note, and those policies may change from time to time. The relevant Issuer and the Fiscal Agent will have no responsibility for any aspect of the Depositary's policies, actions or records of ownership interests in a Global Note. The relevant Issuer and the Fiscal Agent also do not supervise the Depositary in any way;
- the Depositary will require that those who purchase and sell interests in a Global Note within its book-entry system use immediately available funds and an indirect owner's broker or bank may require them to do so as well; and
- financial institutions that participate in the Depositary's book-entry system and through which an investor holds its interest in the Global Notes, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes, and those policies may change from time to time. For example, if an indirect owner holds an interest in a Global Note through Euroclear or Clearstream, Luxembourg when DTC is the Depositary, Euroclear or Clearstream, Luxembourg, as applicable, will require those who purchase and sell interests in that Global Note through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. The relevant Issuer does not monitor and is not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Delivery and form

Notes issued pursuant to Rule 144A initially will be represented by one or more Global Notes (collectively, the "**Rule 144A Global Notes**"). Notes issued in reliance on Regulation S initially will be represented by one or more Global Notes (collectively, the "**Regulation S Global Notes**"). Upon issuance, the Global Notes will be deposited with the Fiscal Agent as custodian for DTC, in New York, New York, and registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "—Exchanges among the Global Notes".

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in the definitive form except in the limited circumstances described below. See "—Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated".

Exchanges among the Global Notes

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 904 of Regulation S.

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 144A.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Purchasers". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time.

Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated

If any of those Notes are issued in book-entry form but the relevant Issuer chooses to give the beneficial owners of those Notes the right to obtain non-Global Notes, any beneficial owner entitled to obtain non-Global Notes may do so by following the applicable procedures of the Depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the Notes. If holders are entitled to request a non-global certificate and wish to do so, holders will need to allow sufficient lead time to enable the relevant Issuer or its agent to prepare the requested certificate.

In addition, in a few special situations described below, a Global Note will be terminated and interests in it will be exchanged for certificates in non-global form representing the Notes it represented. After that exchange, the choice of whether to hold the Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a Global Note transferred on termination to their own names, so that they will be holders. The rights of holders and street name investors are described above under "—Who is the legal owner of a registered Note?".

The special situations for termination of a Global Note are as follows:

- if the Depositary notifies the relevant Issuer that it is unwilling, unable or no longer qualified to continue as Depositary for that Global Note;
- if the relevant Issuer notifies the Fiscal Agent that it wishes to terminate that Global Note; or
- if an Event of Default has occurred and is continuing with regard to these Notes.

If a Global Note is terminated, only the Depositary, and not the relevant Issuer or the Fiscal Agent, is responsible for deciding the names of the institutions in whose names the Notes represented by the Global Note will be registered and, therefore, who will be the holders of those Notes.

Considerations relating to DTC, Euroclear and Clearstream, Luxembourg

DTC. DTC has advised the Issuers that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**DTC participants**") deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants' accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("**Indirect DTC participants**"). The DTC rules applicable to DTC's participants are on file with the SEC. More information about DTC can be found at its Internet Web site at www.dtcc.com, a website the contents of which are not incorporated by reference into this Offering Memorandum.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for those Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("**beneficial owner**") is in turn to be recorded on DTC participants' and Indirect DTC participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC participant or Indirect DTC participant through which the beneficial owner entered into the transaction. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant.

DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may or may not be the beneficial owners. DTC participants and Indirect DTC participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications concerning the Notes by DTC to DTC participants, by DTC participants to Indirect DTC participants, and by DTC participants and Indirect DTC participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of redemption proceeds, distributions, principal and interest on the Notes will be made in immediately available funds to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the relevant Issuer or the trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC, the Fiscal Agent or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of ANZ Bank NZ or the Fiscal Agent. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and Indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of Indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or Indirect DTC participants, the ability of the owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

Ownership of interests in the Notes held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the Indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Notes held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Notes as DTC Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuers believe to be reliable, but it takes no responsibility for the accuracy thereof.

Clearstream, Luxembourg. Clearstream, Luxembourg holds securities for its participating organizations ("**Clearstream, Luxembourg participants**") and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear as the operator of the Euroclear system (the "**Euroclear Operator**") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depositary for Clearstream, Luxembourg.

Euroclear. Euroclear holds securities and book-entry interests in securities for participating organizations ("**Euroclear participants**") and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a Euroclear participant or any other securities intermediary that holds a book-entry interest in a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions governs transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

Special payment and timing considerations for transactions in Euroclear and Clearstream, Luxembourg

Payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. The Issuers have no control over those systems or their participants and take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on the one hand, and participants in DTC, on the other hand, when DTC is the Depositary, would also be subject to DTC's rules and procedures.

Notes which are accepted for clearance through Euroclear and Clearstream, Luxembourg systems will be allocated a Common Code and an International Securities Identification Number, or ISIN. The Common Code and ISIN will be included in the Final Terms applicable to such Notes.

Investors will be able to make and receive through Euroclear and Clearstream, Luxembourg payments, deliveries, transfers, exchanges, notices and other transactions involving any Notes held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the Notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

6. CONSIDERATIONS RELATING TO NOTES DENOMINATED OR PAYABLE IN OR LINKED TO A NON-U.S. DOLLAR CURRENCY

Investors who intend to invest in a non-U.S. dollar Note (*e.g.,* a Note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency) should consult their own financial and legal advisers as to the currency risks entailed by their investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

The information in this Offering Memorandum is directed primarily to investors who are U.S. residents. Investors who are not U.S. residents should consult their own financial and legal advisers about currency-related risks particular to their investment.

An investment in a non-U.S. dollar Note involves currency-related risks

An investment in a non-U.S. dollar Note entails significant risks that are not associated with a similar investment in a Note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. The existence, magnitude and longevity of these risks generally depend on factors over which the Issuers have no control and that cannot be readily foreseen, such as economic events and market expectations the operation of and the identity of persons and entities trading on interbank and interdealer foreign exchange markets in the United States and elsewhere, political, legislative, accounting, tax and other regulatory events and the supply of and demand for the relevant currencies in the global markets. Changes in exchange rates may also affect the amount and character of any payment for purposes of U.S. federal income taxation. See “Taxes—United States federal income taxation” below.

Changes in currency exchange rates can be volatile and unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a Note denominated in, or whose value is otherwise linked to, a Specified Currency other than U.S. dollars. Depreciation of the Specified Currency against the U.S. dollar could result in a decrease in the U.S. dollar- equivalent value of payments on the Note, including the principal payable at maturity or settlement value payable upon exercise. That, in turn, could cause the market value of the Note to fall. Depreciation of the Specified Currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

Government policy can adversely affect currency exchange rates and an investment in a non-U.S. dollar Note

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country’s central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar Notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the Specified Currency for a non-U.S. dollar Note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the Specified Currency. These changes could affect the value of the Note as participants in the global currency markets move to buy or sell the Specified Currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a Specified Currency that could affect exchange rates as well as the availability of a Specified Currency for a Note at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

Non-U.S. dollar Notes may permit the relevant Issuer to make payments in U.S. dollars or delay payment if it is unable to obtain the Specified Currency

Notes payable in a currency other than U.S. dollars may provide that, if the other currency is subject to convertibility or transferability restrictions, market disruption or other conditions affecting its availability at or about the time when a payment on the Notes comes due because of circumstances beyond the relevant Issuer’s control, the relevant Issuer will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or the relevant Issuer’s inability to obtain the other currency because of a disruption in the currency markets. If the relevant Issuer made payment in U.S. dollars, the exchange rate it would use would be determined in the manner described above under “Description of the Notes and the Guarantee-Payment mechanics for Notes-How the relevant Issuer will make payments due in other currencies-When the Specified Currency is not available”. A determination of this kind may be based on limited information and would involve certain discretion on the part of the relevant Issuer’s exchange rate agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens, the relevant Issuer will be entitled to deduct these taxes from any payment on Notes payable in that currency.

The relevant Issuer will not adjust non-U.S. dollar Notes to compensate for changes in currency exchange rates

Except as described above, the relevant Issuer will not make any adjustment or change in the terms of a non-U.S. dollar Note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar or any other currency. Consequently, investors in non-U.S. dollar Notes will bear the risk that their investment may be adversely affected by these types of events.

In a lawsuit for payment on a non-U.S. dollar Note, an investor may bear currency exchange risk

The Notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a currency other than U.S. dollars would be required to render the judgment in the Specified Currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a Note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside New York, investors may not be able to obtain judgment in a Specified Currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar Note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular Note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information about exchange rates may not be indicative of future performance

If a non-U.S. dollar Note is issued, the relevant Issuer may include in the applicable Final Terms a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that the relevant Issuer may provide will be furnished as a matter of information only, and holders should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular Note.

All determinations made by the exchange rate agent will be in its sole discretion. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on holders and the relevant Issuer, without any liability on the part of the exchange rate agent.

7. TAXES

The information below is applicable to ANZ Bank NZ and (except in so far as express reference is made to the treatment of other persons) to persons who are subject to New Zealand taxation, UK taxation and United States federal taxation and hold Notes as an investment or, for United States federal tax purposes, as capital assets. It is based on current New Zealand, UK and United States tax law and published practice, which law or practice is subject to subsequent change (potentially with retrospective effect). Certain classes of holders may be taxed under special rules and are not considered.

United States federal income taxation

This section describes the material United States federal income tax consequences of owning the Notes the relevant Issuer is offering. It applies to holders who acquire Notes in the offering at the offering price and who hold the Notes as capital assets for tax purposes. This section addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to holders in light of the holders' individual circumstances, including foreign, state or local tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not describe all of the tax consequences that may apply to holders who are a member of a class of holders subject to special rules, such as:

(a) a dealer in securities or currencies;

(b) a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;

(c) a bank;

(d) a life insurance company;

(e) a tax-exempt organization;

(f) a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks;

(g) a person that owns Notes as part of a straddle or conversion transaction for tax purposes;

(h) a person that purchases or sells Notes as part of a wash sale for tax purposes; or

(i) a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in the applicable Final Terms.

This section is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If an entity or arrangement that is treated as a partnership for United States federal income tax purposes holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax adviser with regard to the United States federal income tax treatment of an investment in the Notes.

The tax consequences of any particular Note depend on its terms, and any particular offering of Notes may have features or terms that cause the United States federal income tax treatment of the Notes to differ materially from the discussion below.

A holder should consult its own tax adviser concerning the consequences of owning these Notes in its particular circumstances under the Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences to a United States Holder. The investor is a United States Holder if the investor is a beneficial owner of a Note and the investor is, for United States federal income tax purposes:

(a) a citizen or resident of the United States;

(b) a domestic corporation (including an entity treated as a domestic corporation for United States federal income tax purposes);

(c) an estate whose income is subject to United States federal income tax regardless of its source; or

(d) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If the investor is not a United States Holder, this subsection does not apply and the investor should refer to "−Non-United States Holders" below.

Characterization for U.S. federal income tax purposes of the Subordinated Notes

Although the matter is not free from doubt, ANZ Bank NZ believes that the Subordinated Notes should be treated as debt of ANZ Bank NZ for United States federal income tax purposes, and ANZ Bank NZ intends to treat such Subordinated Notes for U.S. federal income tax purposes in accordance with such characterization. Accordingly, the discussion below assumes that the Subordinated Notes will be treated as debt of ANZ Bank NZ for United States federal income tax purposes.

Payments of interest

Except as described below in the case of interest on a "discount Note" that is not "qualified stated interest", each as defined below under "− Original issue discount – General", the holder will be taxed on any interest on the Note, whether payable in U.S. dollars or a non-U.S. dollar currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time the holder receives the interest or when it accrues, depending on the holder's method of accounting for United States federal income tax purposes.

Interest paid by the relevant Issuer on the Notes and original issue discount, if any, accrued with respect to the Notes (as described below under "−Original issue discount") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States Holder. Under the foreign tax credit rules, interest and original issue discount and additional amounts paid with respect to the Notes will generally be "passive category" income for purposes of computing the foreign tax credit.

Non-U.S. dollar Currency Notes – Cash basis taxpayers. If the holder is a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and the holder receives an interest payment that is denominated in, or determined by reference to, a non-U.S. dollar currency, the holder must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the holder actually converts the payment into U.S. dollars.

Non-U.S. dollar Currency Notes – Accrual basis taxpayers. If the holder is a taxpayer that uses an accrual method of accounting for tax purposes, the holder may determine the amount of income that the holder recognizes with respect to an interest payment denominated in, or determined by reference to, a non-U.S. dollar currency by using one of two methods. Under the first method, the holder will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If the holder elects the second method, the holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if the holder receives a payment of interest within five business days of the last day of the applicable accrual period or taxable year, the holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that the holder actually receives the interest payment. If the holder elects the second method it will apply to all debt instruments that the holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that the holder subsequently acquires. The holder may not revoke this election without the consent of the IRS.

When the holder actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of the Note, denominated in, or determined by reference to, a non-U.S. dollar currency for which the holder accrued an amount of income, the holder will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that the holder used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the holder actually converts the payment into U.S. dollars.

Original issue discount

General. If the holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as a discount Note issued at an original issue discount, or "**OID**", if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a specified *de minimis* amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under "−Variable rate notes".

In general, the Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of ¼ of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity. The Note will have *de minimis* original issue discount if the amount of the excess is less than the *de minimis* amount. If the Note has *de minimis* original issue discount, the holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "−Election to treat all interest as original issue discount". The holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* original issue discount by a fraction equal to:

(a) the amount of the principal payment made

divided by:

(b) the stated principal amount of the Note.

Generally, if the discount Note matures more than one year from its date of issue, the holder must include OID in income before the holder receives cash attributable to that income. The amount of OID that the holder must include in income is calculated using a constant-yield method, and generally the holder will include increasingly greater amounts of OID in income over the life of the Note. More specifically, the holder can calculate the amount of OID that the holder must include in income by adding the daily portions of OID with respect to the discount Note for each day during the taxable year or portion of the taxable year that the holder holds the discount Note. The holder can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. The holder may select an accrual period of any length with respect to the discount Note and the holder may vary the length of each accrual period over the term of the discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

The holder can determine the amount of OID allocable to an accrual period by:

(a) multiplying the discount Note's adjusted issue price at the beginning of the accrual period by the Note's yield to maturity, and then

(b) subtracting from this figure the sum of the payments of qualified stated interest on the Note allocable to the accrual period.

The holder must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, the holder determines the discount Note's adjusted issue price at the beginning of any accrual period by:

(a) adding the discount Note's issue price and any accrued OID for each prior accrual period, and then

(b) subtracting any payments previously made on the discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on the discount Note contains more than one accrual period, then, when determining the amount of OID allocable to an accrual period, the holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, the holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

(a) the amount payable at the maturity of the Note, other than any payment of qualified stated interest; and

(b) the Note's adjusted issue price as of the beginning of the final accrual period.

Acquisition premium. If the holder purchases the Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the Note after the purchase date but is greater than the amount of the Note's adjusted issue price, as determined above under "−General", the excess is acquisition premium. If the holder does not make the election described below under "−Election to treat all interest as original issue discount", then the holder must reduce the daily portions of OID by a fraction equal to:

(a) the excess of the adjusted basis in the Note immediately after purchase over the adjusted issue price of the Note

divided by:

(b) the excess of the sum of all amounts payable, other than qualified stated interest, on the Note after the purchase date over the Note's adjusted issue price.

Pre-Issuance accrued interest. An election may be made to decrease the issue price of the Note by the amount of pre-issuance accrued interest if:

(a) a portion of the initial purchase price of the Note is attributable to pre-issuance accrued interest;

(b) the first stated interest payment on the Note is to be made within one year of such Note's issue date; and

(c) the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

Notes subject to contingencies including optional redemption. The Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, the holder must determine the yield and maturity of the Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

(a) the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and

(b) one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, the holder must include income on the Note in accordance with the general rules that govern contingent payment obligations. These rules will be disclosed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if the Note is subject to contingencies, and either the holder or the relevant Issuer have an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

(a) in the case of an option or options that the relevant Issuer may exercise, it will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Note; and

(b) in the case of an option or options that the holder may exercise, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Note.

If both the holder and the relevant Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. The holder would determine the yield on the Note for the purposes of those calculations by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, the holder must redetermine the yield and maturity of the Note by treating the Note as having been retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

Election to treat all interest as original issue discount. The holder may elect to include in gross income all interest that accrues on the Note using the constant-yield method described above under "−General", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under "−Notes purchased at a premium," or acquisition premium.

If the holder makes this election for the Note, then, when the holder applies the constant-yield method:

(a) the issue price of the Note will equal the cost;

(b) the issue date of the Note will be the date the holder acquired it; and

(c) no payments on the Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which the holder makes it; however, if the Note has amortizable bond premium, the holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that the holder holds as of the beginning of the taxable year to which the election applies or thereafter. Additionally, if the holder makes this election for a market discount Note, the holder will be treated as having made the election discussed below under "−Market discount" to include market discount in income currently over the life of all debt instruments having market discount that the holder acquires on or after the first day of the first taxable year to which the election applies. The holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the IRS.

Variable rate notes. The Note will be a variable rate note if:

(a) The Note's issue price does not exceed the total non-contingent principal payments by more than the lesser of:

1. .015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date; or
2. 15% of the total non-contingent principal payments; and

(b) the Note provides for stated interest, compounded or paid at least annually, only at:

1. one or more qualified floating rates;
2. a single fixed rate and one or more qualified floating rates;
3. a single objective rate; or
4. a single fixed rate and a single objective rate that is a qualified inverse floating rate; and

(c) the value of any floating rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

The Note will have a variable rate that is a qualified floating rate if:

(a) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or

(b) the rate is equal to such a rate either:

1. multiplied by a fixed multiple that is greater than 0.65 but not more than 1.35; or
2. multiplied by a fixed multiple greater than 0.65 but not more than 1.35, and then increased or decreased by a fixed rate.

If the Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

The Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are caps, floors or governors that are fixed throughout the term of the Note or such restrictions are not reasonably expected to significantly affect the yield on the Note.

The Note will have a variable rate that is a single objective rate if:

(a) the rate is not a qualified floating rate; and

(b) the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party.

The Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term.

An objective rate as described above is a qualified inverse floating rate if:

(a) the rate is equal to a fixed rate minus a qualified floating rate; and

(b) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

The Note will also have a single qualified floating rate or an objective rate if interest on the Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

(a) the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points; or

(b) the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Federal Funds Rate Notes and SOFR Notes generally will be treated as variable rate Notes under these rules.

In general, if the variable rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period of one year or less that meets one of the two requirements described above, all stated interest on the Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the Note.

If the variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period of one year or less that meets one of the two requirements described above, the holder generally must determine the interest and OID accruals on the Note by:

(a) determining a fixed rate substitute for each variable rate provided under the variable rate Note;

(b) constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above;

(c) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument; and

(d) adjusting for actual variable rates during the applicable accrual period.

When the holder determines the fixed rate substitute for each variable rate provided under the variable rate Note, the holder generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Note.

If the variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period of one year or less that meets one of the two requirements described above, the holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, the variable rate Note will be treated, for purposes of the first three steps of the determination, as if the Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-term Notes. In general, if the holder is an individual or other cash basis United States Holder of a short-term Note (*i.e.,* a Note with a maturity of one year or less), the holder is not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless the holder elects to do so (although it is possible that the holder may be required to include any stated interest in income as the holder receives it). If the holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, the holder will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If the holder is not required and do not elect to include OID in income currently, any gain the holder realizes on the sale or retirement of the short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless the holder makes an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if the holder is not required and does not elect to accrue OID on the short-term Notes, the holder will be required to defer deductions for interest on borrowings allocable to the short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

When the holder determines the amount of OID subject to these rules, the holder must include all interest payments on the short-term Note, including stated interest, in the short-term Note's stated redemption price at maturity.

Non-U.S. dollar currency discount Notes. If the discount Note is denominated in, or determined by reference to, a non-U.S. dollar currency, the holder must determine OID for any accrual period on the discount Note in the non-U.S. dollar currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "−United States Holders-Payments of interest". The holder may recognize ordinary income or loss when the holder receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of the Note.

Market discount

The holder will be treated as if the holder purchased the Note, other than a short-term Note, at a market discount, and the Note will be a market discount Note if:

(a) the holder purchases the Note for less than its issue price as determined above under "−Original issue discount–General"; and

(b) the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price the holder paid for the Note is equal to or greater than ¼ of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of the Note for these purposes, the holder generally adds any OID that has accrued on the Note to its issue price.

If the Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price the holder paid for the Note by less than ¼ of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable.

The holder must treat any gain the holder recognizes on the maturity or disposition of the market discount Note as ordinary income to the extent of the accrued market discount on the Note. Alternatively, the holder may elect to include market discount in income currently over the life of the Note. If the holder makes this election, it will apply to all debt instruments with market discount that the holder acquires on or after the first day of the first taxable year to which the election applies. The holder may not revoke this election without the consent of the IRS. If the holder owns a market discount Note and does not make this election, the holder will generally be required to defer deductions for interest on borrowings allocable to the Note in an amount not exceeding the accrued market discount on the Note until the maturity or disposition of the Note.

The holder will accrue market discount on the market discount Note on a straight-line basis unless the holder elects to accrue market discount using a constant-yield method. If the holder makes this election, it will apply only to the Note with respect to which it is made and the holder may not revoke it. The holder would, however, not include accrued market discount in income unless it elects to do so as described above.

Notes purchased at a premium

If the holder purchases the Note for an amount in excess of its principal amount (or, in the case of a discount Note, in excess of the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest)), the holder may elect to treat the excess as amortizable bond premium. If the holder makes this election, the holder will reduce the amount required to be included in the income each accrual period with respect to interest on the Note by the amount of amortizable bond premium allocable to that accrual period, based on the Note's yield to maturity.

If the amortizable bond premium allocable to an accrual period exceeds the interest income from the Notes for such accrual period, such excess is first allowed as a deduction to the extent of interest included in income in respect of the Notes in previous accrual periods and is then carried forward to the next accrual period. If the amortizable bond premium allocable and carried forward to the accrual period in which the Notes are sold, retired or otherwise disposed of exceeds the interest income for such accrual period, the holder would be allowed an ordinary deduction equal to such excess.

If the Note is denominated in, or determined by reference to, a non-U.S. dollar currency, the holder will compute the amortizable bond premium in units of the non-U.S. dollar currency and the amortizable bond premium will reduce the interest income in units of the non-U.S. dollar currency. Gain or loss recognized that is attributable to changes in exchange rates between the time the amortized bond premium offsets interest income and the time of the acquisition of the Note is generally taxable as ordinary income or loss. If the holder makes an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that the holder holds at the beginning of the first taxable year to which the election applies or that the holder thereafter acquires, and the holder may not revoke it without the consent of the IRS. See also "−Original issue discount−Election to treat all interest as original issue discount".

Purchase, sale and retirement of the Notes

The tax basis in the Note will generally be the U.S. dollar cost, as defined below, of the Note, adjusted by:

(a) adding any OID or market discount previously included in income with respect to the Note, and then

(b) subtracting any payments on the Note that are not qualified stated interest payments and any amortizable bond premium to the extent that such premium either reduced interest income on the Note or gave rise to a deduction on the Note.

If the holder purchases the Note with non-U.S. dollar currency, the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if the holder is a cash basis taxpayer, or an accrual basis taxpayer if the holder so elects, and the Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

The holder will generally recognize gain or loss on the sale or retirement of the Note equal to the difference between the amount the holder realizes on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments) and the adjusted tax basis in the Note. If the Note is sold or retired for an amount in non-U.S. dollar currency, the amount the holder realizes will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale.

The holder will recognize capital gain or loss when the holder sells or retires the Note, except to the extent:

(a) described above under "−Original issue discount-Short-term Notes" or "−Market discount";

(b) attributable to accrued but unpaid interest; or

(c) attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States Holder is generally taxed at a preferential rate where the holder has a holding period greater than one year.

The holder must treat any portion of the gain or loss that the holder recognizes on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, the holder will take exchange gain or loss into account only to the extent of the total gain or loss the holder realizes on the transaction.

Exchange of amounts in other than U.S. dollars

If the holder receives non-U.S. dollar currency as interest on the Note or on the sale or retirement of the Note, the tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If the holder purchases non-U.S. dollar currency, the holder generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of the purchase. If the holder sells or disposes of a non-U.S. dollar currency, including if the holder uses it to purchase Notes or exchanges it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Contingent Payment Obligations

The applicable Final Terms will discuss any special United States federal income tax rules with respect to Notes that are subject to the rules governing contingent payment obligations.

Treasury Regulations Requiring Disclosure of Reportable Transactions

U.S. Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "**Reportable Transaction**"). Under these regulations, if the Notes are denominated in a non-U.S. dollar currency, a United States Holder (or a Non-United States Holder that holds the Notes in connection with a U.S. trade or business) that recognizes a loss with respect to the Notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is US$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. Investors should consult with their tax adviser regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Information with Respect to Foreign Financial Assets

A United States Holder that owns "specified foreign financial assets" with an aggregate value in excess of US$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Significant penalties may apply for failing to satisfy this filing requirement. Notes should qualify as specified foreign financial assets unless held in accounts maintained by financial institutions. United States Holders are urged to consult their tax advisers regarding the application of this reporting requirement to their ownership of the Notes.

FATCA Withholding

Thirty percent withholding may be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information collection and reporting requirements, certification requirements, or any other relevant requirements in respect of their accountholders that are tax resident in the U.S. (including certain non-U.S. entities that are controlled by U.S. tax residents). Accountholders subject to such information collection/ reporting or certification requirements may include holders of certain Notes, and the Issuer may be required to withhold on a portion of any payment made under such Notes. In addition, the Issuer may be required to withhold on a portion of any payment under any Note that is made to a non-U.S. financial institution that has not agreed to comply with these information reporting requirements or has been found to be non-compliant in its execution of the obligations by the U.S. IRS. Such withholding may be imposed at any point in a chain of payments if a payee fails to comply with U.S. information collection, reporting, certification and related requirements. Accordingly, Notes held through a non-compliant institution may be subject to withholding even if the holder of the Note otherwise would not be subject to withholding. However, under proposed U.S. Treasury regulations, such withholding will not apply to payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are enacted. Moreover such withholding would only apply to notes issued at least six months after the date on which final regulations defining the term "foreign passthru payment" are enacted.

While a Reporting New Zealand Financial Institution (as defined in the New Zealand-United States intergovernmental agreement) that complies with its obligations under the New Zealand intergovernmental agreement will generally not be subject to FATCA withholding on amounts it receives, and will not generally be required to make FATCA withholding from payments it makes with respect to the Notes (other than in certain prescribed circumstances), FATCA withholding on counterparty or third party dealings may indirectly affect the Reporting New Zealand Financial Institution.

Prospective investors should consult their tax advisers and their banks or brokers regarding the possibility of this withholding.

Non-United States Holders

This subsection describes the tax consequences to a Non-United States Holder. The discussion below does not address the tax consequences to a Non-United States Holder of an investment in a note that references directly or indirectly the performance of United States equities. The tax treatment of any such notes will be discussed in the applicable Final Terms. The investor is a Non-United States Holder if the investor is a beneficial owner of a Note and the investor is, for United States federal income tax purposes:

(a) a non-resident alien individual;

(b) a foreign corporation; or

(c) an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If the investor is a United States Holder, this subsection does not apply.

Under United States federal income and estate tax law, and subject to the discussion of FATCA withholding above and backup withholding below, if the investor is a Non-United States Holder of a Note, interest on a Note paid to the investor is exempt from United States federal income tax, including withholding tax, whether or not the investor is engaged in a trade or business in the United States, unless:

(a) the investor is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code; or

(b) the investor both

- has an office or other fixed place of business in the United States to which the interest is attributable; and
- derives the interest in the active conduct of a banking, financing or similar business within the United States, or is a corporation with a principal business of trading in stocks and securities for its own account.

Purchase, sale, retirement and other disposition of the Notes

If the investor is a Non-United States Holder of a Note, the investor generally will not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of a Note unless:

(a) the gain is effectively connected with the conduct of a trade or business in the United States; or

(b) the investor is an individual, the investor is present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

For purposes of the United States federal estate tax, the Notes will be treated as situated outside the United States and will not be includible in the gross estate of a holder who is neither a citizen nor a resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death.

Backup withholding and information reporting

In general, if the investor is a non-corporate United States Holder, the relevant Issuer and other payors are required to report to the IRS all payments of principal, any premium and interest on the Note within the United States. Information reporting may also apply in respect of any OID that accrues on a discount Note. In addition, the relevant Issuer and other payors are required to report to the IRS any payment of proceeds of the sale of the Note before maturity within the United

States. Additionally, backup withholding would apply to any payments if the investor fails to provide an accurate taxpayer identification number, or (in the case of interest payments) the investor is notified by the IRS that the investor has failed to report all interest and dividends required to be shown on the federal income tax returns.

If the investor is a Non-United States Holder, the investor is generally exempt from backup withholding and information reporting requirements with respect to payments of principal and interest made to the investor is outside the United States by the relevant Issuer or another non-United States payor. The investor is also generally exempt from backup withholding and information reporting requirements in respect of payments of principal and interest made within the United States and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as either (i) the payor or broker does not have actual knowledge or reason to know that the investor is a United States person and the investor has furnished a valid IRS Form W-8 or other documentation upon which the payor or broker may rely to treat the payments as made to a non-United States person, or (ii) the investor otherwise establishes an exemption.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale of Notes that is effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if:

(a) the broker has certain connections to the United States;

(b) the proceeds or confirmation are transferred or mailed to an account or address maintained by the investor in the United States; or

(c) the sale has certain other specified connections with the United States as provided in U.S. Treasury regulations.

The investor generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the United States federal income tax by filing a refund claim with the IRS.

New Zealand taxation

The following is a summary of the New Zealand withholding tax treatment at the date of this Offering Memorandum in relation to payments of interest in respect of Notes issued on or after March 30, 2017. The comments do not deal with other New Zealand tax aspects of acquiring, holding or disposing of Notes. The comments are based on the current New Zealand tax law and published practice, which law or practice may be subject to subsequent change (potentially with retrospective effect). Each investor contemplating acquiring Notes is advised to consult a professional adviser in connection with the consequences relating to the acquisition, retention and disposition of Notes.

References in this section "New Zealand taxation" to the following terms:

(a) associated;

(b) fixed establishment;

(c) registered bank; and

(d) resident in New Zealand,

shall have the same meaning given to that term in the Income Tax Act 2007 (NZ), unless the context requires otherwise.

Non-resident withholding tax

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest, including amounts deemed to be interest, with a New Zealand source to any holder who is a NRWT Holder (as defined below). Where such deduction is required, ANZ Bank NZ and ANZNIL intend (for so long as they do not incur any increased cost or detriment from so doing and are legally able to do so) to reduce the applicable rate of non-resident withholding tax to 0% by registering the medium-term note program with the IRD and paying, on its own account, a levy equal to 2% of the relevant interest payment.

Where a holder who is a NRWT Holder holds the Note jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the NRWT Holder at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero percent rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the IRD for a refund of over-deducted tax. Neither the Issuer nor, where applicable, the Guarantor will pay an additional amount to the NRWT Holder in respect of non-resident withholding tax deducted in that case.

The term "**NRWT Holder**" means a holder who is not resident in New Zealand, other than

(a) a holder that holds the Notes for the purposes of a business that the holder carries on in New Zealand through a fixed establishment in New Zealand; or

(b) a holder that is a registered bank engaged in business in New Zealand through a fixed establishment in New Zealand and is not associated with the Issuer.

Resident withholding tax

ANZ Bank NZ and ANZNIL are required by law to deduct New Zealand resident withholding tax from the payment of interest, including amounts deemed to be interest, to the holder of any Note on any interest payment date or the maturity date, and, similarly, ANZ Bank NZ is required to make such deductions from payments under the guarantee to the extent such payments constitute interest for New Zealand tax purposes, where:

(a) the holder is not a NRWT Holder ("**RWT Holder**"); and

(b) at the time of such payment the RWT Holder does not have RWT-exempt status (as defined in the Income Tax Act 2007 (NZ)) in respect of New Zealand resident withholding tax.

Prior to any interest payment date or the maturity date, any RWT Holder:

(a) must notify the Issuer, the Guarantor or any Paying Agent, as the case may be, that the RWT Holder is the holder of a Note; and

(b) must notify the Issuer, the Guarantor or a Paying Agent of any circumstances and provide the Issuer, Guarantor or the relevant Paying Agent with any information that may enable the Issuer or the Guarantor, as the case may be, to make the payment of interest to the RWT Holder without deduction on account of New Zealand resident withholding tax.

The RWT Holder must notify the Issuer and the Guarantor, as the case may be, prior to any interest payment date or the maturity date, of any change in the RWT Holder's circumstances from those previously notified that could affect ANZ Bank NZ's or ANZNIL's, as the case may be, payment or withholding obligations in respect of any Note. By accepting payment of the full face amount of a Note or any interest thereon on any interest payment date or the maturity date, the RWT Holder will be deemed to have indemnified ANZ Bank NZ or ANZNIL, as the case may be, for all purposes in respect of any liability which ANZ Bank NZ or ANZNIL, as the case may be, may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Other taxes

No ad valorem stamp, issue, registration or similar taxes are payable in New Zealand in connection with the issue of the Notes or the Guarantee. Furthermore, a transfer of or agreement to transfer the Notes or the Guarantee executed outside of New Zealand will not be subject to New Zealand stamp duty.

UK taxation

The following is a summary of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and the UK stamp duties treatment at the date hereof in relation to the issue and transfer of the Notes and issue of the Guarantee. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and is based on the current law and published practice of His Majesty's Revenue and Customs ("**HMRC**"). Prospective holders should be aware that the particular terms of issue of any series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Holders who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Notes. In particular, holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

The references to "**interest**" in this UK taxation section mean "interest" as understood in UK tax law. The statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The below description of the UK tax position assumes that there will be no substitution of an Issuer and does not consider the tax consequences of any such substitution.

UK withholding tax on UK source interest

Interest on Notes may be paid by the relevant Issuer without withholding or deduction for or on account of UK income tax except in circumstances where such interest has a UK source ("**UK Interest**"). Interest on Notes may have a UK source where, for example, the Notes are issued by an Issuer acting through a branch or permanent establishment in the UK, the notes are secured on assets situated in the UK or the interest is paid out of funds maintained in the UK. Notes which carry a right to UK Interest are referred to in this UK taxation section as "**UK Notes**".

UK Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 provided they carry a right to interest and are, and continue to be, either (1) listed on a recognized stock exchange within the meaning of section 1005 Income Tax Act 2007 or (2) admitted to trading on certain types of multilateral trading facilities. HMRC may designate certain exchanges as recognized stock exchanges. The London Stock Exchange is a recognized stock exchange for these purposes. Securities will be treated as listed on a recognized stock exchange only if they are both: (i) admitted to trading on that exchange and (ii) are either included in the official UK list or are officially listed in a qualifying country outside the UK in accordance with provisions corresponding to those generally applicable in EEA States. Provided that the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of UK income tax.

In all cases falling outside the exemptions described above, interest on UK Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on UK Notes (or other amounts due under UK Notes other than the repayment of amounts subscribed for such UK Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. Such payment by the Guarantor may not be eligible for all the exemptions described above under "UK withholding tax on UK source interest".

Other rules relating to UK withholding tax

The Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on such Notes will not generally, under current UK practice, be treated as interest for UK withholding tax purposes. On that basis, discounts will not generally be subject to any UK withholding tax, pursuant to the provisions mentioned above under "UK withholding tax on UK source interest".

Where the Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for UK tax purposes. If so, such payments of premium (which is treated as interest for UK tax purposes) are subject to UK withholding tax in the same circumstances and subject to the same exemptions as outlined above.

Where interest has been paid under deduction of UK income tax, holders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

UK stamp duties

No UK stamp duty, stamp duty reserve tax or other similar tax is payable in connection with the issue of the Notes or the Guarantee. No requirement to pay UK stamp duty should arise in respect of a document relating to any transfer of the Notes in any case where the document is executed outside, and does not relate to property situate or any matter or thing to be done within, the UK. No stamp duty will be payable on a document relating to a transfer of the Notes, and no stamp duty reserve tax will be payable in respect of any agreement to transfer Notes, if the Notes do not carry and have not carried any of the following:

(a) a conversion right or rights to acquire other shares or securities;

(b) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital;

(c) a right to interest, the amount of which falls or has fallen to be determined to any extent by reference to results of, or of any part of, a business or to the value of any property; or

(d) a right on repayment to an amount which exceeds the nominal amount of capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

For Notes that do contain or have contained such a term then (assuming that any register relating to the Notes is kept outside the UK), no stamp duty reserve tax arises on any agreement to transfer such Notes unless the Notes give the holder a right to allotments of or to subscribe for, or an option to acquire, or an interest in (or in dividends or other rights arising out of) stocks, shares or certain types of loan capital in a company which are: (i) interests in a UK incorporated company; (ii) which are registered in a register kept in the UK; or (iii) are shares and are "paired" (as defined in section 99(6B) of the Finance Act 1986) with shares issued by a UK incorporated company.

General

None of ANZ Bank NZ, nor ANZNIL or any of the Agents make any comment about the treatment for taxation purposes of payments or receipts in respect of the Notes. Each investor contemplating acquiring Notes is advised to consult a professional adviser in connection with the consequences relating to the acquisition, retention and disposition of Notes.

8. EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to ERISA or an entity whose underlying assets include "plan assets" by reason of such plan's investment in the entity (collectively, "**plans**"), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "**plans**"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("**parties in interest**") with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("**non-ERISA arrangements**") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("**similar laws**").

The acquisition or holding of the Notes by a plan with respect to which the relevant Issuer or certain of its affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired and/or held pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither ANZ Bank NZ nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the plan involved in the transaction and the plan pays no more and receives no less than "adequate consideration" in connection with the transaction (the "**service provider exemption**"). The U.S. Department of Labor has also issued several prohibited transaction class exemptions, or "**PTCEs**", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions include:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes that it either (1) is not a plan and is not purchasing or holding those Notes on behalf of or with "plan assets" of any plan or (2) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. In addition, any purchaser or holder of Notes or any interest therein which is a non-ERISA arrangement will be deemed to have represented by its purchase or holding of the Notes that its purchase and holding will not constitute or result in a non-exempt violation of the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any plan or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable. Neither this discussion nor anything in this Offering Memorandum is or is intended to be investment advice directed at any potential purchaser that is a plan or non-ERISA arrangement, or at such purchasers and holders generally, and such purchasers and holders should consult and rely on their counsel and advisers as to whether an investment in the Notes is suitable and consistent with ERISA, the Code and any similar laws, as applicable.

If the investor is an insurance company or the fiduciary of a pension plan or an employee benefit plan, and proposes to invest in Notes, the investor should consult their legal counsel.

9. PLAN OF DISTRIBUTION

The Notes are being offered on a periodic basis for sale by the Issuers through J.P. Morgan Securities LLC, ANZ Securities, Inc., Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, TD Securities (USA) LLC and Wells Fargo Securities, LLC and each agent appointed from time to time by the Issuers under and in accordance with the terms of the Distribution Agreement (the "**Agents**"), each of which has agreed to use its reasonable best efforts to solicit offers to purchase the Notes. The applicable Issuer will pay the applicable Agent a commission which will equal the percentage of the principal amount of any such Note sold through such Agent set forth in the applicable Final Terms. An Issuer may also sell Notes to an Agent, as principal, at a discount from the principal amount thereof, and such Agent may later resell such Notes to investors and other purchasers at varying prices related to prevailing market prices at the time of sale as determined by such Agent. An Issuer may also sell Notes directly to, and may solicit and accept offers to purchase directly from, investors on its own behalf in those jurisdictions where it is authorized to do so. The Notes will be offered in accordance with the provisions of the Distribution Agreement.

In addition, the Agents may offer the Notes they have purchased as principal to other Agents. The Agents may sell Notes to any Agent at a discount. Unless otherwise indicated, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical term, and may be resold by such Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial offering of Notes to be resold to investors and other purchasers on a fixed offering price basis, the offering price, concession and discount may be changed.

Each Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part whether placed directly with such Issuer or through an Agent. Each Agent will have the right, in its discretion reasonably exercised, to reject any offer to purchase Notes received by it, in whole or in part.

In connection with an offering of Notes purchased by one or more Agents as principal on a fixed offering price basis, such Agent(s) will be permitted to over-allot or engage in transactions that stabilize the price of Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of Notes. If the Agent creates or the Agents create, as the case may be, a short position in Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Agent(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilization or to reduce a short position could cause the price of Notes to be higher than it might be in the absence of such purchases. Such stabilization if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilization, if any, shall be outside New Zealand (and not on any market in New Zealand) and in accordance with all applicable laws and rules.

None of the Issuers, ANZ Bank NZ (in the case of ANZNIL Notes) or any of the Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, none of the Issuers, ANZ Bank NZ (in the case of ANZNIL Notes) or any of the Agents make any representation that the Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Agents may from time to time purchase and sell Notes in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the Agents may make a market in the Notes. In particular, the ability of the Agents to make a market in the Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes, including as a result of potential restrictions pursuant to Rule 15c2-11 under the Exchange Act and regulatory interpretations thereof on the ability of the Agents and other market participants to publish quotations for the Notes.

The Issuers have agreed to indemnify the several Agents against and to make contributions relating to certain liabilities, including liabilities under the Securities Act. The Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Agents may engage in transactions with, or perform services for, the Issuers in the ordinary course of business.

Some of the Agents or their affiliates have, directly or indirectly, performed investment and/or commercial banking or financial advisory services for the Issuers or their affiliates, for which they may have received customary fees and commissions, and they expect to provide these services to the Issuers and their affiliates in the future, for which they may also receive customary fees and commissions. In the ordinary course of their various business activities, the Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the Issuers. If any of the Agents or their affiliates have a lending relationship with us, certain of those Agents or their affiliates routinely hedge, and certain other of those Agents or their affiliates may hedge, their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, these Agents and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the relevant Issuer's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Agents and their respective affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

United States

The Notes are not being registered under the Securities Act in reliance upon Regulation S and the exemptions from registration provided by Section 4(a)(2) of the Securities Act and Rule 144A. The Notes are being offered hereby only (A) to QIBs in reliance on Rule 144A and (B) to persons other than U.S. persons (as defined in Regulation S) in offshore transactions in reliance upon Regulation S. The minimum principal amount of Notes which may be purchased for any account is US$200,000 or such larger principal amounts as shall be specified in the applicable Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency).

Prior to any issuance of Notes in reliance on Regulation S, each relevant agent will be deemed to represent and agree that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the distribution compliance period (as defined in Regulation S) a confirmation or notice substantially to the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not as a matter of U.S. law be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A, if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S".

Until the expiration of the period ending 40 days after the later of the commencement of the offering and the issue date of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from Registration under the Securities Act.

There is no undertaking to register the Notes hereafter and they cannot be resold except pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act. Each purchaser of the Notes offered hereby in making its purchase shall be deemed to have made the acknowledgments, representations and agreements as set forth under "Notice to Purchasers" contained on pages i through iii hereof.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made thereunder or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and no advertisement, invitation or document relating to the Notes has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Notice to CMIs and Prospective Investors pursuant to Paragraph 21 of the SFC Code – Important Notice to Prospective Investors

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Agent(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuers, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuers, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuers, the Guarantor or any CMI (including its group companies) and inform the relevant Agents accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Memorandum and/or the applicable Final Terms.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should inquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuers and/or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Final Terms, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those relevant Agents in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated relevant Agent(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the relevant Agents named in the relevant Final Terms.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuers, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Agents may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Agent with such evidence within the timeline requested.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") on the ground that the solicitation for subscription of the notes falls within the definition of "solicitation to qualified institutional investors" as defined un Article 2, paragraph 3, item 2 (I) of the FIEA. Such solicitation shall be subject to the condition that qualified institutional investors (as defined under the FIEA, "**QIIs**") who desire to acquire the Notes shall be made aware that they shall not transfer the Notes to anyone other than other QIIs and accordingly, the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person or to, or for the account or benefit of, others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person except the private placement pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph "Japanese Person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

New Zealand

No action has been or will be taken by any Issuer, the Guarantor or the Agents which would permit a public or regulated offering of any of the Notes, or possession or distribution of any offering material in relation to the Notes, in New Zealand.

Each Agent, and each further Agent appointed under the Distribution Agreement, will be deemed to represent and agree that it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Note, and it will not distribute any offering memorandum or advertisement in relation to any offer of Notes, in New Zealand, other than to any or all of the following persons only:

(a) "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (the "**FMC Act**"), being a person who is:

    (i) an "investment business";

    (ii) "large"; or

    (iii) a "government agency",

    in each case as defined in Schedule 1 to the FMC Act; and

(b) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (a) above) Notes may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

In addition, each Agent, and each further Agent appointed under the Distribution Agreement, will be deemed to represent and agree that it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they have RWT-exempt status (as defined in the Income Tax Act 2007 (NZ)) in respect of New Zealand resident withholding tax, and provide a New Zealand tax file number to such Agent (in which event the Agent shall provide details thereof to the relevant Issuer or to the Fiscal Agent).

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Agent, and each further Agent appointed under the Distribution Agreement, will be deemed to represent and agree that it will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Other UK Regulatory Restrictions

Each Agent, and each further Agent appointed under the Distribution Agreement, will be deemed to represent and agree that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or, in the case of ANZNIL Notes, the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Prohibition of Sales to EEA Retail Investors

Each Agent, and each further Agent appointed under the Distribution Agreement, will be deemed to represent and agree that it will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

South Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for a public offering in Korea under the Financial Investment Services and Capital Markets Act of Korea. The Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. Furthermore, the Notes may not be sold or resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the Foreign Exchange Transactions Law of Korea and its Enforcement Decree) in connection with the purchase of the Notes.

Singapore

This Offering Memorandum has not been and will not be registered as a prospectus under the SFA by the Monetary Authority of Singapore, and the offer of the Notes in Singapore is made primarily pursuant to the exemptions under Section 274 and 275 of the SFA. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA (an "**Institutional Investor**") pursuant to Section 274 of the SFA, (ii) to an accredited investor as defined in Section 4A of the SFA (an "**Accredited Investor**") or other relevant person as defined in Section 275(2) of the SFA (a "**Relevant Person**") and pursuant to Section 275(1) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable exemption or provision of the SFA.

It is a condition of the offer that where the Notes are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation and the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has subscribed for or acquired the Notes except:

(1) to an Institutional Investor, an Accredited Investor, a Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(c)(ii) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

A reference to the "**SFA**" is a reference to the Securities and Futures Act 2001 and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Taiwan

The Notes may be made available for purchase from outside Taiwan by investors residing in Taiwan either directly or through a duly licensed Taiwan intermediary, but may not be offered or sold in Taiwan. Any subscriptions of Notes shall only become effective upon acceptance by the relevant Issuer or the relevant Agent outside Taiwan and shall be deemed a contract entered into in the jurisdiction of incorporation of the relevant Issuer or Agent, as the case may be.

Australia

No prospectus, product disclosure document or other disclosure document (as defined in the Corporations Act) in relation to the Notes, including this Offering Memorandum, has been or will be lodged with or registered by the Australian Securities and Investment Commission ("**ASIC**") or ASX Limited or any other stock exchange licensed under the Corporations Act. Each Agent will be deemed to represent and agree that it has not:

(a) made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) distributed or published and will not distribute or publish any draft, preliminary or final form offering memorandum (including this Offering Memorandum), advertisement or other offering material relating to the Notes in Australia,

unless:

(i) the minimum aggregate consideration payable by each offeree is at least A$500,000 or its equivalent in an alternate currency (disregarding money lent by the offeror or its associates (as described in Division 2 of Part 1.2 in Chapter 1 of the Corporations Act)) or the offer, distribution or publication otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act and is not made to a "retail client" as defined for the purposes of section 761G of the Corporations Act;

(ii) such action complies with all applicable laws, directives and regulations and does not require any document to be lodged with, or registered by, ASIC; and

(iii) for so long as the Banking Exemption No. 1 of 2018 (or any successor or replacement instrument) remains in force, the offers and any transfers are for parcels of not less than A$500,000 in aggregate principal amount.

Credit ratings in respect of the Notes are for distribution only to persons in Australia who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or Chapter 7 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Offering Memorandum and any person who receives this Offering Memorandum must not distribute it to any person who is not entitled to receive it.

10. LEGAL MATTERS

The validity of the Notes under New York law will be passed upon for the relevant Issuer by ANZ Bank NZ's United States counsel Sullivan & Cromwell, Melbourne, Australia. The validity of the Notes under New York law will be passed upon for the Agents by their United States counsel, Sidley Austin LLP, New York, New York, United States. The validity of the Notes under New Zealand law will be passed upon for the relevant Issuer by their New Zealand counsel Russell McVeagh, Wellington, New Zealand. These opinions will be conditioned upon, and subject to certain assumptions regarding future action required to be taken by the relevant Issuer, ANZ Bank NZ (in the case of ANZNIL Notes) and the Fiscal Agent in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained at the date of such opinions.

11. INDEPENDENT AUDITORS

The consolidated financial statements of ANZ Bank NZ and its subsidiaries as at September 30, 2022, September 30, 2021, and for each of the financial years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein.

The independent auditor's report for the financial year ended September 30, 2022 contains the following emphasis of matter:

> *"EMPHASIS OF MATTER – NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION*
>
> *We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy. Our opinion on the consolidated financial statements and registered bank disclosures in section B2, B3, B4, B5, B6, B7 and B8 is not modified in respect of these matters."*

The independent auditor's review report relating to the capital adequacy information in section B4 of the 2022 Disclosure Statement contains the following emphasis of matter:

> *"EMPHASIS OF MATTER – NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION*
>
> *We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy. Our review opinion on the registered bank disclosures in section B4 is not modified in respect of these matters."*

The independent auditor's report for the financial year ended September 30, 2021 contains the following emphasis of matter:

> "*EMPHASIS OF MATTER - NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION*
>
> *We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy.*
>
> *Further details of the matters relating to capital adequacy are described below in our qualified review conclusion on the registered bank disclosures in section B4 relating to capital adequacy and regulatory liquidity ratios.*
>
> *Our opinion on the consolidated financial statements and registered bank disclosures in sections B2, B3, B5, B6, B7 and B8 is not modified in respect of these matters.*"

The non-compliance with ANZ Bank NZ's Conditions of Registration relating to capital adequacy resulted in a qualified review conclusion relating to the capital adequacy information in section B4 of the 2021 Disclosure Statement.

The basis for this conclusion as stated in the independent auditor's reports for 2021 is:

> "*In this respect, the Capital Adequacy Ratios disclosed in section B4 of the Disclosure Statement have not been disclosed in accordance with Schedule 11 of the Order. Section B1 outlines the Banking Group's assessment of the historic impact on risk weighted assets at the time this matter was first reported in the Banking Group's disclosure statement. The Banking Group is working with the RBNZ to remediate this matter.*
>
> *The above matters do not affect the Regulatory Liquidity information, which is also disclosed in section B4.*"

With respect to the unaudited interim financial statements of ANZ Bank NZ and its subsidiaries as at and for the six-month period ended March 31, 2023, included herein, the independent accountants have reported that they applied limited procedures in accordance with professional standards in New Zealand for a review of such financial statements. However, their separate report included herein states that they did not audit and they do not express an opinion on those interim financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

The financial statements of ANZNIL as at September 30, 2022, September 30, 2021, and for each of the financial years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein. KPMG has no material interest in ANZNIL.

With respect to the unaudited interim financial statements of ANZNIL as at and for the six-month period ended March 31, 2023, included herein, the independent accountants have reported that they applied limited procedures in accordance with professional standards in New Zealand for a review of such financial statements. However, their separate report included herein states that they did not audit and they do not express an opinion on those interim financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

12. GENERAL INFORMATION

1. The admission of this program to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange is expected to take effect on or about June 1, 2023. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche intended to be admitted to listing on the Official List of the FCA and admitted to trading on the Main Market of the London Stock Exchange will be admitted to listing and trading upon submission to the FCA and the London Stock Exchange of the applicable Final Terms and any other information required by the FCA and the London Stock Exchange, subject in each case to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
2. Save as disclosed in the "Risk Factors—Legal and regulatory risk—Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group's Position" section of this Offering Memorandum, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either Issuer is aware) during the 12-months prior to the date of this Offering Memorandum, which may have, or have had in the recent past, a significant effect on the financial position or profitability of each Issuer and, in the case of ANZ Bank NZ, its subsidiaries taken as a whole.
3. There has been no significant change in the financial position or in the financial performance of ANZNIL, ANZ Bank NZ or the ANZ Bank NZ Group since March 31, 2023 to the date of this Offering Memorandum. There has been no material adverse change in the prospects of each Issuer since September 30, 2022.
4. There are no material contracts entered into outside the ordinary course of any of the Issuers' businesses, which could result in any group member of any Issuer being under an obligation or entitlement that is material to that Issuer's ability to meet its obligation to holders in respect of the securities being issued.
5. For so long as Notes may be issued pursuant to this Offering Memorandum or any Notes shall be outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent and the London Paying Agent and at the registered office of the relevant Issuer:
   (i) the constitutive documents of the relevant Issuer, which may also be viewed at the following website:

   https://app.companiesoffice.govt.nz/companies/app/service/services/documents/1D713091AC470A1D9D57B6A4057E1DA3;

   https://app.companiesoffice.govt.nz/companies/app/service/services/documents/87E52C494E0D6492CCE81EE1E84E588B;

   https://app.companiesoffice.govt.nz/companies/app/service/services/documents/40B551AC3C43E02A4EBC7B8DD619B3F6;

   https://app.companiesoffice.govt.nz/companies/app/service/services/documents/D8FA4B0EF3445198C67861C863A657A0

   The constitutive documents above are not incorporated by reference herein and do not form part of this Offering Memorandum.

   (ii) the Fiscal Agency Agreement;

   (iii) the Guarantee, which is attached to this Offering Memorandum as Annex C;

   (iv) any Final Terms;

   (v) a copy of this Offering Memorandum together with any supplement to this Offering Memorandum or further Offering Memorandum;

   (vi) copies of the most recent publicly available audited accounts of the ANZ Bank NZ Group for the financial years ending September 30, 2022, and 2021, including copies of the report of the independent auditor thereon; and

   (vii) copies of the most recently available audited accounts of ANZNIL for the financial years ended September 30, 2022, and 2021, including copies of the report of the independent auditor thereon.
6. The price and amount of Notes to be issued under this program will be determined by each relevant Issuer and the relevant Agent at the time of issue in accordance with the prevailing market conditions at such time.
7. The Issuers do not intend to provide any post-issuance information in relation to any issue of Notes.
8. The establishment of this program and the issue of the Notes by it thereunder was authorized (i) by resolutions of the Board on August 13, 2004, February 16, 2006, October 12, 2006, June 19, 2008, December 2, 2008, April 15, 2010, and November 10, 2021 (ii) by resolutions of the Board of Directors of ANZNIL on March 4, 2005, March 23, 2006, September 18, 2006, November 28, 2008, December 23, 2008, September 2, 2010 and November 23, 2011 and (iii) by resolutions of the shareholder of ANZNIL on February 10, 2005 and February 16, 2006.

Part B – Issuers and Guarantor Information

ANZ Bank New Zealand Limited
(incorporated with limited liability in New Zealand)

ANZ New Zealand (Int'l) Limited
(incorporated with limited liability in New Zealand)

Part B – Issuers and Guarantor Information

Half year ended March 31, 2023

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1. BASIS OF PREPARATION

The consolidated income statement data for the six month periods ended March 31, 2023 and March 31, 2022 and consolidated balance sheet information of the ANZ Bank NZ Group as at March 31, 2023 and March 31, 2022 have been derived from the ANZ Bank NZ Unaudited Financial Statements. The consolidated income statement data for the financial years ended September 30, 2022, 2021, 2020, 2019 and 2018 and consolidated balance sheet information of the ANZ Bank NZ Group as at September 30, 2022, 2021, 2020, 2019 and 2018 have been derived from the ANZ Bank NZ Group's audited consolidated financial statements for the years ended September 30, 2022, 2021, 2020, 2019 and 2018 (except as specified in the footnotes to the following tables). The financial information contained in this Offering Memorandum should be read in conjunction with, and is qualified by reference to, the ANZ Bank NZ Financial Statements. For additional information concerning our financial results, see "Section 3. Operating and Financial Review" in this Offering Memorandum.

The condensed consolidated financial statements and the financial information included herein, except where otherwise noted, have been prepared in accordance with the recognition and measurement requirements of accounting practice generally accepted in New Zealand ("**NZ GAAP**") and do not contain a reconciliation to generally accepted accounting principles in the United States ("**U.S. GAAP**"). The ANZ Bank NZ Financial Statements and the ANZNIL Financial Statements comply with the New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"), International Financial Reporting Standards ("**IFRS**") and Interpretations adopted by the International Accounting Standards Board ("**IASB**").

The independent auditors of the ANZ Bank NZ Financial Statements and the ANZNIL Financial Statements for 2022, 2021 and 2020 are subject to auditing and auditor independence standards applicable in New Zealand, which differ from those applicable in the United States.

Due to rounding, the numbers presented throughout this Offering Memorandum may not add up precisely, and percentages may not precisely reflect absolute figures.

For the convenience of the reader, this Offering Memorandum contains translations of certain NZ dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the NZ dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise stated, amounts reported in U.S. dollars have been translated at the Noon Buying Rate for March 31, 2023, which was US$0.6271 = NZ$1.00.

2. OVERVIEW OF THE NEW ZEALAND BANKING INDUSTRY

The RBNZ publishes a semi-annual Financial Stability Report, in which it assesses and reports on the soundness and efficiency of the New Zealand financial system. The following section is an excerpt from the RBNZ Financial Stability Report that was released on May 3, 2023 (the "**RBNZ Report**"). The information in this section has been accurately reproduced and as far as the ANZ Bank NZ Group is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. For more information, please see the full RBNZ Report, which is available from the RBNZ's website at: https://www.rbnz.govt.nz/financial-stability/financial-stability-report. The information in the RBNZ Report is not necessarily up to date as at the date of this Offering Memorandum. Additionally, it is not incorporated by reference herein and does not form part of this Offering Memorandum. For the purposes of this section, references to "we", "our" and similar terms refer to the RBNZ.

Global inflation pressures remain high. Central banks have slowed the pace of their monetary policy tightening in recent months, as they evaluate the effects of prior interest rate increases on demand and the outlook for inflation.

The increasing interest rate environment has exposed some fragilities in the global financial system, particularly where risks have been inadequately managed. The failure of two medium-sized U.S. banks and Credit Suisse in March highlighted the speed at which investors can lose confidence in institutions, although the interventions by regulators have contained any broader contagion so far.

New Zealand households are facing increased debt servicing costs as their borrowing reprices to higher interest rates. To date there have been limited signs of distress in banks' lending portfolios. This reflects the ongoing strength of the labor market and that borrowers have been able to adjust their spending or use previous savings and repayment buffers. However, cash flow pressures in households are growing and buffers are likely to be tested. A large rise in unemployment remains the biggest risk to domestic financial stability at present.

Nationally, house prices are down 16% from their peak, with larger falls in Auckland and Wellington. Negative equity is still at relatively low levels.

We are proposing to ease our loan-to-value-ratio settings reflecting the fact that current lending activity presents fewer risks to the financial system and household resilience compared to that of the past couple of years.

Businesses are adjusting to higher interest rates, with limited signs of servicing stress to date. Vulnerabilities are highest among the agriculture sector and commercial property operators, given their higher average levels of debt, and the impacts of the North Island flooding and cyclone events. Overall, consumer and business confidence is low, pointing to a weaker outlook for household consumption and business investment and reflecting the dampening effects of higher debt servicing costs.

New Zealand's financial system is well placed to handle these domestic and international pressures. The banking system's capital and liquidity positions are strong, with profitability and asset quality remaining high. New Zealand banks are not materially exposed to the interest rate risks that have been realized in banks overseas. Insurers have considerable reinsurance in place for the recent weather events, but claims for these events will cause a drop in insurers' profitability for some time and will increase reinsurance costs for New Zealand.

Inflation remains high and central banks have continued tightening monetary policy, albeit at a slowing pace

Inflation is persisting at levels well above central banks' policy targets, as the global economy continues to experience fallout from the supply shocks of COVID-19 and Russia's invasion of Ukraine. The lagged effects on demand of the significant monetary and fiscal stimulus deployed in response to the pandemic are now fading. However, labor markets remain historically tight and high inflation expectations are requiring central banks to continue to raise their policy rates. The pace of tightening is slowing, with central banks evaluating the effects of the cumulative increases in interest rates to date on economic activity, the outlook for inflation, and financial stability. As a result, the upward trend in interest rates has slowed, but volatility remains high given ongoing uncertainty about the speed at which inflation will reduce.

The rising interest rate environment is exposing fragilities in the global financial system, prompting regulators to intervene to prevent contagion

Following the global financial crisis prudential regulators strengthened capital and liquidity requirements significantly, and developed enhanced tools for resolving banks that encountered stress. While banking systems as a whole are more resilient now than they were a decade ago, the rapid adjustment of monetary policy in response to high inflation is creating difficulties for institutions that have taken on excessive risks during the preceding period of very low interest rates. Investors have also been reassessing the ongoing viability of some business models. Since early March a number of financial institutions in the United States and Europe have encountered difficulties and had their regulators intervene to mitigate the spread of panic to other institutions.

Rising interest rates reduce the current market value of long-term financial assets such as government bonds and mortgage-backed securities, potentially creating large unrealized losses for institutions holding these assets. Where such assets have been funded with short-term liabilities, such as deposits, and the risks have not been hedged, banks may be forced to realize losses on these assets if they face abrupt withdrawals of this funding, for example due to a loss of confidence. Silicon Valley Bank ("**SVB**") in the United States faced this scenario in early March, with the run on its funding being accelerated by the deposit base comprising large, uninsured deposits by interconnected technology firms.

U.S. authorities intervened to stem further contagion, but the failure of SVB and two other banks prompted a general reassessment by the market of vulnerabilities across banking systems. Following several years of financial underperformance and scandals, Switzerland-based global investment bank Credit Suisse experienced a loss of confidence among its investors and clients, and was forced to accept a distressed acquisition by its peer UBS.

While each of these bank failures had idiosyncratic factors behind them, these developments have seen a tightening in global financial conditions more broadly, including in bank wholesale funding markets and in credit conditions for households and businesses. The International Monetary Fund has also highlighted the risks to sovereign debt sustainability as the global economy adjusts to higher interest rates. Moreover, we set minimum capital requirements for any residual interest rate risks carried by banks, further incentivizing the prudent management of this risk. The short fixing profile of New Zealand banks' lending means that in effect, the risk of interest rate fluctuations is borne by borrowers over the term of their borrowing, rather than by the banking system.

New Zealand households and businesses are facing higher debt servicing costs, but most borrowers are adapting well

With rising interest rates since mid-2021, household and business borrowers have been gradually adjusting to significantly higher debt servicing costs. Mortgage lending that was fixed at the low rates that prevailed in the early period of the pandemic continues to roll over to higher fixed rates. For households with mortgages, we estimate that in aggregate the share of their disposable income dedicated to interest costs will rise from a low point of 9% to around 22% by the end of this year.

While most households have been adapting, financial buffers will continue to be tested

The rapid rise in debt servicing costs is testing the cash flows of some households, particularly those that borrowed at high debt-to-income ("**DTI**") multiples during the period of low interest rates. Many of these borrowers are repricing to interest rates above those at which their servicing capacity was assessed by the lenders. This trend, alongside increases in the cost of living, means cash flow stresses are growing amongst this group.

To date, mortgaged households appear to be generally coping with interest rate repricing. Arrears rates have increased, but from a very low level, and there have been limited signs of distressed or increased mortgagee sales of properties. In part, this reflects the fact that household incomes have grown strongly over recent years, meaning borrowers have had sufficient cash flows to meet their higher repayments. Households are also adapting by reducing discretionary spending and drawing on savings, including working with their banks to extend the durations of their mortgages where they are ahead of their repayment schedules. A further key support factor for households has been the strong labor market. Nevertheless, the ongoing repricing of the stock of lending is likely to see the growth of lending in arrears continue. A significantly larger increase in unemployment than projected in our monetary policy outlook remains a key risk to monitor for financial stability.

House prices continue to decline, and market activity has been subdued as lending conditions remain tight

With increased interest rates, prospective borrowers' debt servicing capacity has declined and the relative attractiveness of buying compared to renting has fallen. Prices and activity in the housing market have continued to fall, with nationwide house prices now around 16% below their peak, taking them back to levels seen around the start of 2021. Price falls in Auckland and Wellington have continued to lead the rest of the country, with these markets 21% and 24% down from their respective peaks. Inventories of houses for sale have remained relatively high, with new builds continuing to come onto the market, and sales falling to historical lows. Given strong nominal income growth in recent years, house price to income ratios have also fallen substantially.

Lending conditions for housing remain tight, with banks typically now assessing borrowers' servicing capacity at interest rates around 8.75%. As a result, lending at high DTI multiples has declined. LVR limits and the ongoing phasing out of the tax deductibility of mortgage interest have also contributed to weak demand among investors. Current financial conditions mean that the prospective rental yields on investment property remain relatively unattractive, even with the drops in house prices seen to date.

The outlook for residential development has continued to deteriorate given the headwinds of high and uncertain interest rates, ongoing construction cost inflation, and the steady supply into the market of previously committed new builds. Pre-sales activity remains subdued, limiting the number of viable projects for which developers can obtain finance. The completion of the existing pipeline of developments is keeping construction activity high for now, but there will be a slowdown in activity once these projects have been completed.

Our current assessment is that, given recent falls, New Zealand house prices are closer to being at sustainable levels than has been the case in recent years. Current prices are within the range of fundamental values suggested by some of the metrics we monitor, but the overall balance across indicators suggests prices remain somewhat overvalued.

In the near term, prices may continue to soften, given the level of interest rates, the ongoing completion of houses currently under construction, and weak market activity and sentiment. However, there remains the risk of house prices declining significantly below our assessment of their sustainable level, particularly if the number of distressed sales picks up, generating self-reinforcing negative feedback effects.

We are proposing to ease loan-to-value ratio limits given diminishing housing market risks

We recently announced a proposed easing in our LVR speed limits from historically tight settings. This reflects our assessment that current lending activity presents fewer risks to financial stability and household resilience than those of the past couple of years. LVR speed limits apply to the flow of new lending, and therefore our risk analysis focuses on the extent to which current and future lending behavior and house prices add risk to the financial system (for example, reducing households' resilience through increasing the sector's leverage and exposure to large house price corrections). House prices have declined closer to our assessment of their sustainable level, and high-DTI lending has fallen. We are confident that allowing a greater share of lending to be at high LVRs will not materially undermine households' resilience, but would help reduce the efficiency and inclusion costs of the LVR policy. In part, this reflects the fact that banks' current debt servicing assessments will limit the extent of any pickup in risky lending in the near term.

We are proposing to ease loan-to-value ratio limits given diminishing housing market risks

Global supply chain pressures that developed during the pandemic have substantially eased over the past year, and the opening of New Zealand's border has seen a continued recovery in tourism, international education, and migration. However, businesses continue to face a challenging operating environment. Input cost inflation remains high, and employment remains above its maximum sustainable level, contributing to high labor costs. Debt servicing costs for businesses have also risen more quickly than those for households, but this has not yet led to significant increases in lending arrears at this stage. However, high interest rates and low business confidence are dampening investment intentions, and lending growth to the business sector has primarily been for working capital needs rather than for expansion. The key risk factor for the business sector as a whole is the outlook for economic activity, and the potential for a large slowdown in demand as households reduce their discretionary spending.

Agriculture and commercial property stand out as business sectors where rising interest rates could lead to financial stresses, given these sectors' reliance on debt-financed physical assets such as property. While the dairy sector has made substantial progress in reducing leverage following the 2015/2016 industry downturn, farmers' profits are being squeezed by rising input costs, a decline in the expected pay out for the current season, and higher debt servicing costs.

Meanwhile, commercial property operators face an uncertain outlook as pandemic-induced changes to consumer behavior and office occupancy continue to affect tenant demand, and discretionary retail spending slows. Liquidity in commercial property markets has been low, and values have not fully adjusted downwards to reflect the higher interest rate environment, particularly for less desirable office and retail buildings.

Banks have generally maintained conservative lending standards for commercial property in recent years, ensuring borrowers have sufficient financial buffers in place. As some stresses now emerge, banks in some cases are in a position to look “through the cycle”, and relax covenants relating to debt servicing as operators adjust to higher interest rates and use their buffers. However, firms with weaker balance sheets and some residential developers are likely to encounter difficulty in adjusting to higher interest rates and a weaker market environment. Signs of stress among some higher risk property funds have already emerged.

The financial system has been resilient to recent flooding and cyclone events, which may accelerate long-term changes to insurance

The extreme weather events in the North Island earlier this year caused significant economic disruption and physical damage to affected households, businesses and property. Our current estimate is that the Auckland Anniversary Floods and Cyclone Gabrielle will result in total insurance claim costs of $1.6 billion to $2.1 billion and $1.4 billion to $2.1 billion respectively. While preliminary, we expect the total economic costs of these events, which also include those arising for the reinstatement of infrastructure, claims on EQC, and loss of uninsured property, to be at least double this. New Zealand’s financial system as a whole has been resilient to these events, and institutions continue to work with and support affected customers. Looking ahead, these events may accelerate the adoption of risk-based pricing and reduce the availability of flooding insurance in some areas. Banks will also need to consider the impacts this will have on their mortgage portfolios.

New Zealand’s banking system is well placed to handle domestic and international pressures

New Zealand banks’ profitability has been robust in recent quarters, with a pick-up in net interest margins supporting a return of most profitability metrics to around pre-pandemic levels. Recent profitability partly reflects the lagged adjustment of banks’ deposit funding costs to tightening monetary policy. Banks’ capital levels continue to increase gradually, ahead of increasing regulatory requirements, as they retain earnings and issue additional capital instruments to further improve their resilience.

Asset quality remains high, but in light of the rising interest rate environment and worsening economic outlook banks have begun to increase provisions in anticipation of stresses they expect to emerge among borrowers. The banking system’s funding and liquidity positions are also healthy, with COVID-related stimulus programs contributing to the ongoing high level of liquid assets and deposits across the system. All New Zealand incorporated banks are subject to quantitative liquidity requirements to promote their resilience to sudden losses of funding. Offshore funding markets have been volatile following events in the United States and European banking systems in March, but the large New Zealand banks are well funded, having raised long-term funding in these markets in prior months.

Overall, New Zealand’s banking system remains resilient to a wide range of downturn scenarios, as demonstrated in our regular stress tests of their solvency and liquidity positions. New Zealand banks have well developed approaches to managing and mitigating interest rate risk, and are therefore not generally exposed to the problems that have emerged in some overseas banking systems in recent months.

Some deposit takers and insurers face profitability challenges

The non-bank deposit taker (“**NBDT**”) sector as a whole has maintained stable capital levels and asset quality, though some smaller institutions continue to face challenges to their profitability and resilience, owing in part to limited economies of scale and ability to raise external capital. Consolidation among credit unions has continued as one way of bolstering resilience in the face of long-term challenges to viability. In addition, the sector will need to adapt to meet changing regulatory requirements in coming years.

Some insurers are also facing challenges to their profitability in the increasing interest rate environment, which has contributed to losses on their investments. While most of the cost of claims from the North Island weather events will be met by reinsurance, there will be an ongoing impact on insurer profitability from reinsurance excesses. Despite these headwinds, insurers’ solvency is expected to remain above prudential requirements. Reinsurance premiums are also likely to rise for New Zealand, as insurers seek to pass on as higher premiums to customers. In turn, this may lead to underinsurance, particularly in higher risk areas.

Policy and supervisory developments

We continue to consolidate and deliver on key initiatives to protect and promote financial stability, with a large but focused work program underway across our regulatory policy, supervision, and enforcement functions.

A key policy priority is supporting the passage of the Deposit Takers Bill through the Parliamentary process, which will consolidate our prudential regulation and supervision of deposit-taking financial institutions (banks and NBDTs) into a single framework. The Bill will strengthen the RBNZ’s supervisory toolkit, and introduce a Depositor Compensation Scheme to protect deposits of up to $100,000 per depositor, per institution.

We have refreshed our risk assessment framework to guide the allocation of our supervisory resources. The framework enables a system-wide view of the entities we are responsible for supervising, and will facilitate a proportionate, rigorous, and structured assessment of risk using data and supervisory judgement. Work continues on building out our enforcement, resolution, and specialist risk supervision functions.

3. SUMMARY OF CONDENSED CONSOLIDATED INCOME STATEMENT INFORMATION

	Six months ended March 31,			Years ended September 30,				
	2023 US$m[1]	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m
Interest income	**2,930**	**4,672**	2,454	5,811	4,600	5,568	6,423	6,390
Interest expense	**1,583**	**2,525**	685	2,035	1,176	2,306	3,179	3,240
Net interest income	**1,347**	**2,147**	1,769	3,776	3,424	3,262	3,244	3,150
Other operating income	**150**	**239**	561	1,087	765	807	946	1,126
Operating income	**1,497**	**2,386**	2,330	4,863	4,189	4,069	4,190	4,276
Operating expenses	**509**	**811**	826	1,653	1,621	1,752	1,608	1,517
Profit before credit impairment and income tax	**988**	**1,575**	1,504	3,210	2,568	2,317	2,582	2,759
Credit impairment charge / (release)	**76**	**121**	(20)	39	(114)	403	101	55
Profit before income tax	**912**	**1,454**	1,524	3,171	2,682	1,914	2,481	2,704
Income tax expense	**256**	**408**	423	882	743	541	662	751
Profit after income tax	**656**	**1,046**	1,101	2,289	1,939	1,373	1,819	1,953

(1) For the convenience of the reader, the financial information for the six months ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.

4. SUMMARY OF CONDENSED CONSOLIDATED BALANCE SHEET INFORMATION

	As at March 31,							As at September 30,
	2023 US$m[1]	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m
Assets								
Cash and cash equivalents	**7,937**	**12,657**	11,178	12,575	7,844	8,248	2,363	2,200
Settlement balances receivable	**324**	**516**	913	785	237	378	193	656
Collateral paid	**361**	**576**	612	1,672	537	1,394	2,324	1,919
Trading securities	**3,548**	**5,657**	7,818	7,228	9,585	12,797	8,942	8,024
Derivative financial instruments	**3,985**	**6,354**	9,000	15,481	9,304	9,702	11,666	8,086
Investment securities	**7,030**	**11,211**	10,291	11,357	11,926	9,893	7,027	6,502
Net loans and advances	**92,280**	**147,154**	146,121	147,067	140,756	132,698	132,525	126,466
Assets held for sale[2]	**-**	**-**	-	-	-	-	-	897
Investment in associates	**-**	**-**	-	-	-	-	-	6
Current tax assets	**4**	**6**	34	-	-	-	-	-
Deferred tax assets	**223**	**355**	327	362	390	327	77	-
Goodwill and other intangible assets	**1,942**	**3,096**	3,103	3,099	3,091	3,092	3,276	3,289
Premises and equipment	**265**	**423**	485	450	509	590	335	325
Other assets	**621**	**990**	609	1,058	590	625	688	642
Total assets	**118,520**	**188,995**	190,491	201,134	184,769	179,744	169,416	159,012
Liabilities								
Settlement balances payable	**2,138**	**3,410**	4,592	4,933	2,704	2,950	1,607	2,161
Collateral received	**662**	**1,056**	1,070	1,962	738	1,275	991	845
Deposits and other borrowings	**87,432**	**139,423**	138,704	139,642	133,139	125,061	113,427	108,008
Derivative financial instruments	**3,939**	**6,281**	8,376	13,785	7,727	8,252	11,042	8,095
Current tax liabilities	**-**	**-**	-	310	170	251	101	161
Deferred tax liabilities	**-**	**-**	-	-	-	-	-	21
Liabilities held for sale[2]	**-**	**-**	-	-	-	-	-	334
Payables and other liabilities	**1,208**	**1,926**	1,242	1,345	1,464	1,115	1,159	947
Employee entitlements and other provisions	**208**	**331**	382	350	433	532	452	196
Debt issuances	**11,719**	**18,688**	19,097	21,023	21,502	24,439	26,207	25,135
Total liabilities	**107,306**	**171,115**	173,463	183,350	167,877	163,875	154,986	145,903
Net assets	**11,214**	**17,880**	17,028	17,784	16,892	15,869	14,430	13,109
Equity								
Share capital	**7,800**	**12,438**	11,888	12,438	11,888	11,888	11,888	11,888
Reserves	**12**	**19**	7	48	70	118	21	33
Retained earnings	**3,402**	**5,423**	5,133	5,298	4,934	3,863	2,521	1,188
Total equity	**11,214**	**17,880**	17,028	17,784	16,892	15,869	14,430	13,109

(1) For the convenience of the reader, the financial information as at March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Assets and liabilities classified as held for sale comprise the assets and liabilities of OnePath Life NZ as at September 30, 2018. This was presented separately on ANZ Bank NZ's balance sheet. On November 30, 2018, ANZ Bank NZ sold OnePath Life NZ to a related party of Cigna Corporation.

5. SUMMARY OF SELECTED RATIOS AND OTHER FINANCIAL INFORMATION[1]

	Six months ended March 31			Years ended September 30				
	2023 US$[2]	2023 NZ$	2022 NZ$	2022 NZ$	2021 NZ$	2020 NZ$	2019 NZ$	2018 NZ$
Ordinary share information (NZ$ per fully paid share)[3]								
Dividend - declared rate	**0.09**	**0.14**	0.14	0.30	0.14	-	0.06	1.12
Earnings - basic	**0.10**	**0.16**	0.17	0.36	0.31	0.22	0.29	0.41
Net tangible assets - basic	**1.46**	**2.33**	2.19	2.31	2.17	2.01	1.76	1.53
Number of shares on issue (thousands)[3]								
Ordinary shares - fully paid	**6,345,755**	**6,345,755**	6,345,755	6,345,755	6,345,755	6,345,755	6,345,105	6,345,105
Preference shares[4]	**850,000**	**850,000**	300,000	850,000	300,000	300,000	300,000	300,000
Ratios[5]								
Return on average shareholders equity (%)[6]	**11.50**	**11.50**	12.85	13.11	11.73	9.04	13.23	14.81
Return on average total assets (%)[7]	**1.07**	**1.07**	1.17	1.20	1.05	0.77	1.10	1.23
Other banking data:								
Capital adequacy ratios[8]								
Tier 1 (%)	**13.8**	**13.8**	14.5	15.0	16.2	14.4	13.6	14.4
Tier 2 (%)	**1.4**	**1.4**	0.6	1.4	0.7	-	-	-
Total capital ratio (%)	**15.2**	**15.2**	15.1	16.4	16.9	14.4	13.6	14.4
Net interest margin (%)[9]	**2.39**	**2.39**	2.03	2.15	2.03	2.02	2.16	2.20
Non-interest income as a percentage of assets (%)[10]	**0.12**	**0.12**	0.30	0.57	0.41	0.45	0.57	0.71
Non-interest income as a percentage of total income (%)[11]	**10.02**	**10.02**	24.08	22.35	18.26	19.83	22.58	26.33
Cost to income ratio (%)[12]	**33.99**	**33.99**	35.45	33.99	38.70	43.06	38.38	35.48
Cost to average total assets ratio (%)[13]	**0.42**	**0.42**	0.44	0.86	0.88	0.99	0.98	0.96
Equity to assets ratio (%)[14]	**9.34**	**9.34**	9.09	9.13	8.95	8.56	8.34	8.32
Risk-weighted exposures (NZ$ millions)[8]	**69,241**	**110,415**	106,268	107,677	97,177	102,290	97,070	82,147
Return on average risk-weighted exposures ratio (%)[15]	**1.91**	**1.91**	2.18	2.21	1.95	1.38	2.06	2.39
Other information								
Points of representation (branches)	**108**	**108**	116	111	123	141	164	179

(1) Source: ANZ Bank NZ Financial Statements (except as otherwise noted in footnotes below).
(2) For the convenience of the reader, the financial information for the six months ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(3) All ordinary shares of ANZ Bank New Zealand Limited are owned by ANZ Holdings (New Zealand) Limited, a subsidiary of ANZGHL.
(4) ANZ Bank NZ issued 300 million preference shares to ANZ Holdings (New Zealand) Limited on September 25, 2013 and 550 million preference shares to the New Zealand public on July 18, 2022. These preference shares do not carry any voting rights. They are wholly classified as equity instruments, as there is no contractual obligation for ANZ Bank NZ to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavorable basis.
(5) Where applicable, ratios calculated using average balances have been referenced to the table under "Additional Statistical and Financial Information—Average balance sheet and interest income/expense". Unless otherwise stated, the methodology for calculating average balances is included in that table.
(6) Profit after income tax divided by average shareholders' equity.
(7) Profit after income tax divided by average total assets.
(8) The RBNZ sets minimum capital requirements that ANZ Bank NZ must comply with. From January 1, 2013, ANZ Bank NZ has been required to comply with the RBNZ's Basel III (as defined below) requirements. The capital adequacy ratios and risk weighted exposures in the above table have been calculated under the Basel III framework, utilizing the Internal Ratings Based ("**IRB**") approach, except for ORC, which is calculated using the standardized approach.
(9) Net interest income divided by average interest earning assets.
(10) Operating income less net interest income divided by average total assets.
(11) Operating income less net interest income divided by operating income.
(12) Operating expenses divided by operating income.
(13) Operating expenses divided by average total assets as shown in the average balance sheet table under "—Average balance sheet and interest income/expense".
(14) Equity to assets ratio is average shareholders' equity divided by average total assets.
(15) Profit after income tax divided by average risk weighted exposures. Averages are based on quarterly balances.

6. OVERVIEW

This section provides an overview of ANZ Bank NZ Group's businesses. It does not contain all of the information that potential investors should consider before investing in the Notes. Potential investors should carefully read the entire Offering Memorandum, including the section describing the risks of investing in the Notes under the caption "Risk Factors", before making an investment decision. Some of the statements in this overview constitute forward-looking statements. For more information, please see "Forward-Looking Statements".

ANZ Bank NZ was incorporated under the New Zealand Companies Act 1955 on October 23, 1979, was re-registered under the Companies Act on June 13, 1997, and is a private company limited by shares. ANZ Bank NZ's principal executive offices and registered office are located at Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand. ANZ Bank NZ's company number is 35976 and the telephone number is +64 (9) 252 2974. Its website is https://www.anz.co.nz/about-us/our-company/. No information on that website forms part of or is incorporated by reference in this Offering Memorandum.

ANZ Bank NZ is an indirect subsidiary of ANZGHL, its ultimate parent company. ANZ Bank NZ is a registered bank under the BPS Act.

ANZ Bank NZ dates back to 1840, when the Union Bank of Australia opened a branch in Wellington, New Zealand. ANZBGL was formed through a series of mergers involving the Union Bank of Australia and its successors.

In 2003, ANZ Banking Group (New Zealand) Limited acquired NBNZ Holdings Limited and its consolidated subsidiaries including The National Bank of New Zealand Limited. In 2004, ANZ Banking Group (New Zealand) Limited amalgamated with The National Bank of New Zealand Limited and changed its name to ANZ National Bank Limited.

In 2012, ANZ National Bank Limited changed its name to ANZ Bank New Zealand Limited and combined its two banking brands (ANZ and The National Bank) under the ANZ brand.

In 2022, ANZBGL established a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group (and, as a result, ANZGHL is the ultimate parent company of the ANZ Bank NZ Group) by a scheme of arrangement and separated ANZBGL's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The ANZ Bank Group comprises ANZBGL and the majority of its present-day subsidiaries, including ANZ Bank NZ.

As of March 31, 2023, the ANZ Bank NZ Group had total assets of NZ$188,995 million and is the largest full-service banking group measured by total assets compared to other registered banks in New Zealand, based on the "Bank Financial Strength Dashboard" published by the RBNZ.

As of March 31, 2023, ANZ Bank NZ held approximately 27% and the New Zealand branch of ANZBGL held less than 1% of the total assets held by registered banks in New Zealand, based on data series "S10 Banks: Balance Sheet for registered banks" published by the RBNZ. As at March 31, 2023, ANZ Bank NZ was supported by 108 branches with a customer base of over 2 million.

Competitive strengths

ANZ Bank NZ considers that its competitive strengths are that it:

- is New Zealand's largest bank, with a combined customer base of over 2 million;
- has a leading market share in New Zealand in mortgages, agri lending and institutional lending and remains one of the main providers of business lending - a diverse business mix reflecting the makeup of the economy;
- has a well-respected brand and nationwide presence;
- maintains strong local corporate governance and New Zealand-based management; and
- benefits from the international connectivity of the ANZ Group.

7. BUSINESS MODEL

The ANZ Bank NZ Group's business model primarily consists of raising funds through customer deposits and the wholesale debt markets and lending those funds to customers. In addition, the ANZ Bank NZ Group operates a Markets business which earns revenue from sales, trading and risk management activities. The ANZ Bank NZ Group also provides payments and clearing solutions.

The ANZ Bank NZ Group's primary lending activities are personal lending covering residential home loans, credit cards and overdrafts, and lending to business, agricultural, corporate and institutional customers.

The ANZ Bank NZ Group's income is derived from a number of sources, primarily:

- Net interest income – represents the difference between the interest income the ANZ Bank NZ Group earns on its lending activities and the interest paid on customer deposits and wholesale funding;
- Net fee and commission income – represents fee income earned on lending and non-lending related financial products and services and includes net funds management income; and
- Other income – includes income earned from revenue generated from sales, trading and risk management activities in the Markets business, net foreign exchange earnings and gains and losses from economic and revenue and expense hedges.

8. STRATEGY

ANZ Bank NZ aspires to shape a world where people and communities thrive. This translates to a focus on improving the financial wellbeing of its customers, with a particular focus on home owners, business owners, funds management and companies with regional trade and capital flows.

ANZ Bank NZ is focused on meeting, and exceeding, the expectations of its four wider stakeholder groups. To that end, ANZ Bank NZ has four strategic priorities:

- Shareholders – achieve sustainable returns by creating a simpler, better balanced bank.
- Regulators – do the right thing (i.e., good conduct) and do things right by improving operational resilience.
- People – attract, develop and retain the right people and create engaging, productive and flexible working environments.
- Community – enhance the wellbeing of all New Zealanders and develop programs to strengthen community connections.

9. ENVIRONMENTAL SUSTAINABILITY

We support our customers in shifting to low carbon business models and operations by directing finance, services and advice into key priority areas and sectors.

Our focus areas include:

- reducing our own impact by managing and reducing emissions from our operations;
- supporting our customers and industries to transition;
- working to understand climate impact across our portfolios to enable us to set Paris-aligned lending targets; and
- engaging constructively and transparently with stakeholders.

10. PRINCIPAL ACTIVITIES OF ANZ BANK NEW ZEALAND AND ITS CONSOLIDATED SUBSIDIARIES

Divisional Structure

The Personal, Business and Institutional segments all operate under the ANZ brand except in certain specialized markets.

In specialized markets, the ANZ Bank NZ Group is further represented by ANZ Investments (superannuation and investment products).

As at March 31, 2023, the ANZ Bank NZ Group was comprised of the Personal, Business and Institutional business units. These segments were supported by centralized back office and corporate functions. Fund management products are developed and procured through ANZ Bank NZ's wholly-owned subsidiaries, ANZ New Zealand Investments Limited and ANZ Investment Services (New Zealand) Limited. Insurance and funds management products are distributed through the Personal segment.

Personal

Personal provides a full range of banking and funds management services to consumer and private banking customers. The ANZ Bank NZ Group delivers its services via its internet and app-based digital solutions and a network of branches, mortgage specialists, relationship managers and contact centers.

As at March 31, 2023, Personal had:

- a network of 108 branches (111 at September 30, 2022) and 486 ATMs. Customers have access to phone and mobile phone banking and on-line banking services.
- net loans and advances of $103.2 billion and customer deposits of $86.1 billion.
- total funds under management of $36.9 billion.

Business

Business provides a full range of banking services including small business banking, through the ANZ Bank NZ Group's digital, branch and contact center channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment (including Corporate Agri), government and government related entities.

As at March 31, 2023, Business had net loans and advances of $24.9 billion and customer deposits of $18.5 billion.

Institutional

The Institutional division services government, global institutional and corporate customers via the following business units:

- **Transaction Banking** provides customers with working capital and liquidity solutions including documentary trade, supply chain financing as well as cash management solutions, deposits, payments and clearing.
- **Corporate Finance** provides customers with loan products, loan syndication, specialized loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- **Markets** provides customers with risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets in addition to managing the ANZ Bank NZ Group's interest rate exposure and high quality liquid asset portfolio.

As at March 31, 2023, Institutional had net loans and advances of $19.0 billion and customer deposits of $25.7 billion.

Other

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

Executive Team

As at the date of this Offering Memorandum, the ANZ Bank NZ executive team is comprised of the following roles:

- Chief Executive Officer;
- Managing Director, Personal;
- Managing Director, Funds Management;
- Managing Director, Business;
- Managing Director, Institutional;
- Chief Information Officer;
- Chief Financial Officer;
- Chief Risk Officer;
- General Manager, Talent & Culture;
- General Counsel & Company Secretary;
- General Manager Public, Consumer & Government Affairs;
- General Manager Data, Marketing and Customer Experience; and

- General Manager, Strategic Execution.

Significant Subsidiaries

ANZNIL is ANZ Bank NZ's only significant subsidiary. It is incorporated in New Zealand and is 100% owned directly by ANZ Bank NZ.

As at March 31, 2023, ANZNIL did not account for 10% or more of any of ANZ Bank NZ Group's consolidated investments, operating surplus or assets for the most recent financial year, but it is considered by management to be of importance to ANZ Bank NZ. As at March 31, 2023, ANZNIL accounted for more than 10% of the ANZ Bank NZ Group's consolidated total liabilities.

ANZ New Zealand (Int'l) Limited

ANZNIL was incorporated under the New Zealand Companies Act 1955 on December 8, 1986, was re-registered under the Companies Act on May 27, 1996, and is a private company limited by shares. The registered office of ANZNIL is located at Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand and its New Zealand company number is 328154. ANZNIL's London branch is located at Level 12, 25 North Colonnade, London E14 5HZ, UK and the phone number is +44 (20) 3229 2121. Its website is https://www.anz.co.nz/about-us/media-centre/investor-information/anz-nz-limited/. No information on that website forms part of or is incorporated by reference in this Offering Memorandum.

ANZNIL is a wholly-owned subsidiary of ANZ Bank NZ.

The principal activities of ANZNIL include the provision of funding facilities to the ANZ Bank NZ Group and wholesale financing, including issuance of U.S. Commercial Paper, Euro Commercial Paper, Covered Bonds, U.S. Medium-Term Notes and Euro Medium-Term Notes.

ANZNIL's overseas activities (including the issuance of Notes) are conducted through its London branch. ANZNIL has no subsidiary companies. ANZNIL is largely dependent on its parent, ANZ Bank NZ, as ANZ Bank NZ fully guarantees all obligations under ANZNIL's funding programs.

11. RECENT DEVELOPMENTS

There have been no significant developments for ANZ Bank NZ since March 31, 2023.

12. COMPETITION

The New Zealand financial services sector in which the ANZ Bank NZ Group operates is very concentrated and highly competitive. ANZ Bank NZ's principal competitors are the three other major banks: ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary or branch of a major Australian bank. These banks participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. Kiwibank Limited is active in retail segments, and Rabobank New Zealand Limited is active in retail deposits and agricultural lending markets. Regional banks, such as Heartland Bank Limited and TSB Bank Limited, are becoming more competitive in the retail segment. International banks such as The Hong Kong and Shanghai Banking Corporation Limited and MUFG Bank Ltd participate in a limited manner in the institutional market. Since late 2013, New Zealand has also seen Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of China Limited incorporate subsidiaries as registered banks in New Zealand (since 2017 each bank has also established branches to provide banking services in New Zealand). Their focus appears to be in housing and business lending, however, their market share remains small in these segments.

Historically, the retail deposit market in New Zealand has been highly competitive. However, competition for deposits moderated as the Large Scale Asset Purchase program, introduced by the RBNZ to support New Zealand’s economic recovery from the COVID-19 pandemic, increased the amount of money circulating in the New Zealand banking system. The RBNZ commenced the gradual reduction of the Large Scale Asset Purchase program in 2022. As at March 31, 2023, lending to the residential mortgage market accounted for over half of the lending in New Zealand by registered banks and this market is a key area of competition.

While non-bank originators have become more active in New Zealand, the growth rate in their total assets has been lower compared to offshore markets, such as Australia, in recent years. Customers continue to move away from physical outlets towards online and digital services, which could prompt the rise of new players in the financial services sector. The non-banking sector constituted approximately 3% of total financial system assets as at March 31, 2023.

Potential future economic disruptions, or increased customer demand for personal financial management services in response to inflationary pressures, could impact competition in the New Zealand financial services sector over the medium term due to changes to regulation and monetary policy, funding cost and credit provision increases, liquidity levels and changes to business strategies.

13. SUPERVISION AND REGULATION

The BPS Act requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks (including ANZ Bank NZ) for the purposes of:

- promoting the maintenance of a sound and efficient financial system; and
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy around the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that it intends to keep to a minimum any impediments to the entry of new registered banks, in order to encourage competition in the banking system.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ seeks to achieve this by drawing on and enhancing disciplines that are naturally present in the market.

The RBNZ places considerable emphasis on a requirement that banks regularly disclose information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those whom the RBNZ considers are best placed to exercise that responsibility - the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposures, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank’s financial condition and compliance with conditions of registration, principally on the basis of published half-yearly disclosure statements and monthly reporting submitted privately to the RBNZ. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting the senior management of registered banks;
- using crisis management powers available to it under the BPS Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on overseeing banks’ compliance with anti-money laundering and countering financing of terrorism requirements;
- monitoring banks’ outsourcing arrangements to determine whether a registered bank's risks associated with outsourcing are appropriately managed;
- issuing guidelines on banks’ internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

Registered banks are required to issue half-yearly disclosure statements that contain comprehensive details, together with full financial statements at the full-year, and unaudited interim financial statements at the half-year. The financial statements are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ publishes a quarterly “dashboard” of key information on registered banks on the RBNZ’s website. The dashboard aims to improve the ability of the public and market participants to understand and act on information about such banks' financial strength and risk profile. The information is sourced from private reporting that banks provide to the RBNZ. Information relating to the ANZ Bank NZ Group published in the dashboard is not incorporated by reference herein and does not form part of this Offering Memorandum. In some cases, information relating to the ANZ Bank NZ Group published in the dashboard has been classified and presented differently to the presentation in the ANZ Bank NZ Financial Statements.

New Zealand-incorporated banks are required to comply with the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions. The RBNZ also requires domestic systemically important banks, including ANZ Bank NZ, to maintain a prudential capital buffer of 3.5% of risk-weighted assets (“**RWA**”) above the minimum ratios or face restrictions on distributions. This prudential capital buffer is progressively increasing to 9% of RWA in July 2028. See " — *Bank capital adequacy requirements*" below for further information.

New Zealand-incorporated banks (including ANZ Bank NZ) are required to comply with the RBNZ's Liquidity Policy (“**BS13**“). A requirement of BS13 is that New Zealand-incorporated banks meet a minimum core funding ratio (“**CFR**”) of 75% ensuring that at least a minimum proportion of bank funding is met through customer deposits, term wholesale funding and Tier 1 capital.

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. Following this, the RBNZ began a comprehensive review of BS13 in February 2022. This includes reconsidering certain aspects of the Basel III liquidity standards. See " — *Thematic review of registered banks' compliance with the RBNZ Liquidity Policy*" and “— RBNZ review of BS13” below for further information.

The RBNZ also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in their disclosure statements.

In addition, the RBNZ has wide-reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consults with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

If a registered bank is declared to be subject to statutory management, no person may, among other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ's supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a “significant influence” over a registered bank. “Significant influence” means the ability to appoint 25% or more of the board of directors of a registered bank or a qualifying interest (e.g., legal or beneficial ownership) in 10% or more of its voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it thinks fit.

13.1 Bank capital adequacy requirements

The RBNZ has revised its bank capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in the Banking Prudential Requirements (“**BPR**”) documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements still being implemented are:

- ANZ Bank NZ’s Tier 1 capital requirement will increase to 16% of RWA, of which up to 2.5% can be in the form of AT1 Capital. ANZ Bank NZ's Total Capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 Capital. The increased capital ratio requirements are being implemented progressively until July 1, 2028.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. Tier 2 capital must consist of long-term subordinated debt.
- The Tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer (which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing); and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at March 31, 2023, ANZ Bank NZ had approximately NZ$1,238 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over the transition period to July 1, 2028, should these instruments remain outstanding.

The RBNZ's reforms will result in a material increase in the level of capital that ANZ Bank NZ is required to hold. The reforms could have a material impact on ANZ Bank NZ and its business, including on its capital allocation and business planning.

13.2 RBNZ's revised outsourcing policy

Large New Zealand-incorporated banks, such as ANZ Bank NZ, must ensure their outsourcing arrangements comply with BS11 (the RBNZ's revised outsourcing policy). Outsourcing arrangements in place prior to October 1, 2017 must be compliant with BS11 by October 1, 2023. ANZ Bank NZ is in the final stages of delivering compliance with BS11 for existing outsourcing arrangements, as outlined in its Path-to-Compliance Plan.

The BS11 requirements form part of ANZ Bank NZ's Conditions of Registration. If ANZ Bank NZ does not comply with its Condition of Registration in relation to outsourcing, the RBNZ could take enforcement action, such as putting further restrictions on ANZ Bank NZ's use of outsourcing.

13.3 Review of the Reserve Bank Act

The New Zealand Government has concluded a review of the Reserve Bank Act. Phase one of the review resulted in the enactment of the Reserve Bank of New Zealand (Monetary Policy) Amendment Act 2018, which made several changes to New Zealand's monetary policy framework. Phase two involved a comprehensive review of the financial policy provisions of the Reserve Bank Act, which has since been renamed the BPS Act.

The BPS Act will be replaced with two separate pieces of legislation:

- The Reserve Bank of New Zealand Act 2021 fully commenced in July 2022, replacing parts of the BPS Act that relate to the RBNZ's high-level objectives, powers, functions, governance and funding arrangements. Among other things, the Reserve Bank of New Zealand Act 2021:
    - establishes a new statutory governance board responsible for all decision-making, except decisions made by the Monetary Policy Committee; and
    - introduces an overarching financial stability objective of protecting and promoting the stability of New Zealand's financial system (in addition to the economic objectives and central bank objective).
- The Deposit Takers Act is expected to, among other things:
    - create a single regulatory regime for all bank and non-bank deposit takers;

- introduce a depositor compensation scheme that will protect up to NZ$100,000 per depositor, per licensed deposit taker, if a pay-out event is triggered;
- strengthen accountability requirements for directors of deposit takers;
- broaden the RBNZ's supervision and enforcement tools; and
- strengthen and clarify the RBNZ's crisis resolution framework (which in substance carries over the key statutory management powers from the BPS Act but places those powers (where practicable) directly in the hands of the RBNZ as resolution authority).

The Deposit Takers Bill was introduced to Parliament in September 2022 and is expected to be enacted in mid-to-late 2023. The depositor compensation scheme is targeted for initial implementation in late 2024, ahead of the rest of the Deposit Takers Act coming into effect. Until the Deposit Takers Bill is enacted, the current regulatory framework for banks is continuing under the BPS Act.

13.4 Conduct regulations for financial institutions

The FMCIA Act was enacted in June 2022 and is expected to come into force in early 2025. When it comes into force, it will require financial institutions (including registered banks, licensed insurers and non-bank deposit takers) that are in the business of providing relevant services and associated products to:

- obtain a license under Part 6 of the FMCIA Act;
- comply with a fair conduct principle (requiring them to treat consumers fairly, including by paying due regard to their interests);
- establish, implement, maintain and comply with an effective fair conduct program to operationalize the fair conduct principle, and publish a summary of the fair conduct program; and
- comply with regulations that regulate performance incentives for staff and others who are involved in providing a service.

The FMCIA Act will implement a broad conduct regime that can be expanded over time with further obligations on regulated entities.

13.5 Amendments to the CCCFA

The ANZ Bank NZ Group has updated its CCCFA processes in response to the recent Credit Contracts Legislation Amendment Act 2019 ("**CCLA Act**") reforms.

Changes to CCCFA regulations and guidance in the Responsible Lending Code that the Minister of Commerce announced in March 2022 to address unintended impacts caused by the CCLA Act reforms took effect in July 2022. Further changes to the CCCFA regulations and Responsible Lending Code to mitigate unintended consequences of the CCLA Act reforms came into effect on May 4, 2023. These changes clarify treatment of discretionary and non-essential expenses and buy-now pay-later expenses in affordability assessments, and introduce a new exemption from affordability regulations for refinancing of lending. The ANZ Bank NZ Group has made some changes to CCCFA policies and processes in response.

13.6 Thematic review of registered banks' compliance with the RBNZ Liquidity Policy

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. The RBNZ found that all banks had clear organizational structures for liquidity risk management, used internal limits and measurements beyond the minimum BS13 requirements, and monitored cash positions to understand intra-day liquidity needs.

However, issues resulting from weak internal controls and inadequate care in policy interpretations were identified. As a result, the 10 largest New Zealand-incorporated banks, including ANZ Bank NZ, were required to:

- develop a remediation plan to address all of the findings set out in individual feedback letters; and
- conduct a materiality assessment of the impacts of the quantitative findings on the liquidity ratios.

ANZ Bank NZ provided the RBNZ with a remediation plan to address the individual feedback ANZ Bank NZ received and undertook the required materiality assessment. The findings have been assessed as non-material. ANZ Bank NZ continues to work with the RBNZ to address the findings of the BS13 thematic review.

13.7 RBNZ review of BS13

The RBNZ is undertaking a comprehensive review of BS13. The key issues covered by the review include:

- a potential move towards the Basel III's liquidity framework;
- eligibility requirements for liquid assets in New Zealand;
- the availability of liquid assets in New Zealand;
- the possible establishment of a committed liquidity facility by the RBNZ;
- current and future arrangements for banks to use liquid assets as collateral when transacting with the RBNZ;
- how liquidity requirements should be applied across the spectrum of deposit takers;
- whether liquidity requirements should be applied to foreign bank branches; and
- whether liquidity requirements should be used as a macro-prudential tool.

The first round of consultation of the review is complete and the second round is currently taking place. The review is expected to involve a further two rounds of consultation and a quantitative impact study. An updated liquidity policy is currently scheduled to be released in 2025.

13.8 Cyber resilience guidance and information sharing consultation

In April 2021, the RBNZ released guidance that outlines its expectations on cyber resilience for regulated entities (including ANZ Bank NZ). The guidance aims to raise awareness of, and ultimately promote, the cyber resilience of the financial sector, especially at the board and senior management level. This guidance draws upon leading international and national cybersecurity standards and guidelines and is intended to provide high-level principle-based recommendations for entities.

In May 2023, the RBNZ opened consultation on its proposed approach to improve collection of cyber-related information. The RBNZ proposes the collection of data in three areas:

- a material cyber incident reporting requirement that mandates regulated entities to report all material cyber incidents to the RBNZ within 72 hours after detection;
- reporting of all cyber incidents, regardless of materiality, on a periodic basis; and
- a periodic survey on the cyber resilience of regulated entities based on the RBNZ's cyber resilience guidance.

The proposal is out with industry for consultation and ANZ Bank NZ will participate in that process.

13.9 Debt serviceability restrictions

In November 2021, the RBNZ commenced consultation on debt serviceability restrictions for residential mortgage lending. The consultation focused on two proposed restrictions: debt-to-income limits (which restrict lending to borrowers based on the ratio of their total debt to total income) and interest rate floors (which set a minimum test interest rate that banks may use in their serviceability assessments). In April 2023, the RBNZ released its finalized debt-to-income restriction framework, which will set limits on the amount of debt borrowers can take relative to their income. Any debt-to-income restrictions will be implemented no earlier than March 2024. No calibration of the proposed limit has been provided.

As at the date of this Offering Memorandum, it is uncertain what impact the proposed debt-to-income restrictions may have on the ANZ Bank NZ Group.

13.10 LVR restrictions

In May 2023, the RBNZ confirmed its April proposal to ease its LVR restrictions for residential mortgage lending.

From June 1, 2023, New Zealand registered banks will be required to restrict new “non-property investment residential mortgage lending” (which is standard residential mortgage lending secured over only owner-occupied residential property) over 80% LVR to no more than 15% (compared to 10% previously) of the total dollar value of new non-property investment residential mortgage lending and to also restrict new "property investment residential mortgage lending" (which is standard residential mortgage lending that is not non-property investment residential mortgage lending) over 65% (compared to 60% previously) LVR to no more than 5% of the total dollar value of new property investment residential mortgage lending. The impact to the ANZ Bank NZ Group’s residential mortgage portfolio as a result of these two proposed changes is not expected to be material.

13.11 Climate-related disclosures

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 with effect from October 27, 2022. The amendments will require the ANZ Bank NZ Group to produce Climate Related Disclosures (“**CRD**”) from the financial year ending September 30, 2024, in accordance with CRD reporting standards to be issued by the New Zealand External Reporting Board. The ANZ Bank NZ Group is actively preparing to produce CRD in accordance with this timetable.

13.12 Effect of APRA’s Prudential Standards

The ANZBGL Group is subject to extensive prudential regulation by APRA. APRA’s current or future requirements may have an adverse effect on the ANZ Bank NZ Group’s Position.

APS222 sets minimum requirements for ADIs in Australia, including ANZBGL, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS222, ANZBGL’s ability to provide financial support to related entities (including ANZ Bank NZ) is subject to the following restrictions:

- ANZBGL should not undertake any third party dealings with the prime purpose of supporting the business of related entities;
- ANZBGL must not hold unlimited exposures (i.e., should be limited as to specified time or amount) to related entities (e.g., not provide a general guarantee covering any of the obligations of related entities);
- ANZBGL must not enter into cross-default clauses whereby a default by a related entity on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default by ANZBGL on its obligations; and
  - the level of exposure, net of exposures deducted from capital, of ANZBGL's Level 1 Tier 1 capital base to ANZ Bank NZ should not exceed:
    - (i) 25% on an individual exposure basis; or
    - (ii) 75% in aggregate (being exposures to all similar regulated ADI equivalent entities related to ANZBGL).

In addition, since January 1, 2021, no more than 5% of ANZBGL’s Level 1 Tier 1 capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as ANZ Bank NZ and ANZBGL’s New Zealand branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the ANZ Bank NZ Group during times of financial stress.

APRA has also confirmed that contingent funding support by ANZBGL to ANZ Bank NZ during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding.

13.13 Effect of APRA's Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on July 1, 2017. This framework also requires the ANZBGL Group to limit its financial and operational exposures to subsidiaries (including those in the ANZ Bank NZ Group).

In determining the acceptable level of exposure to a subsidiary, the board of directors of ANZBGL (the "**ANZBGL Board**") should have regard to:

- the exposures that would be approved for third parties of broadly equivalent credit status; and
- the potential impact on ANZBGL's capital and liquidity positions and ability to continue operating in the event of a failure by the ANZ Bank NZ Group.

These requirements are not expected to place additional restrictions on ANZBGL's ability to provide financial or operational support to the ANZ Bank NZ Group.

13.14 Other APRA powers

ANZBGL may not provide financial support in breach of the Australian Banking Act. Under the Australian Banking Act:

- APRA must exercise its powers and functions for the protection of a bank's depositors in Australia and for the promotion of financial system stability in Australia; and
- in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia will be available to meet that bank's deposit liabilities in Australia and certain liabilities to APRA in priority to all other liabilities of the bank.

The requirements of the Australian Banking Act and the exercise by APRA of its powers have the potential to impact the management of the ANZ Bank NZ Group's liquidity.

13.15 Australian Crisis Management

Under the Australian Banking Act, APRA has the power to facilitate the orderly resolution of the entities it regulates, such as ANZBGL (and certain of their subsidiaries, such as ANZ Bank NZ, and holding companies), in times of distress. Powers which could impact the ANZ Bank NZ Group include oversight, management and directions powers in relation to ANZBGL and other ANZ Group entities (including ANZGHL) and statutory management powers over regulated entities within the ANZ Group (including ANZGHL) in Australia (but APRA may not appoint a statutory manager to ANZ Bank NZ or ANZNIL). The Australian Banking Act includes provisions which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the "**Statutory Conversion and Write-Off Provisions**").

The Statutory Conversion and Write-Off Provisions apply in relation to regulatory capital instruments issued by certain financial sector entities (including ADIs and their subsidiaries, such as ANZ Bank NZ) that contain provisions for conversion or write-off for the purposes of APRA's prudential standards. Where the Statutory Conversion and Write-Off Provisions apply to an instrument, that instrument may be converted in accordance with its terms. This is so despite any law (other than specified laws, currently those relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity), the constitution of the issuer or of the conversion entity for the instrument, any contract to which the issuer is a party or the conversion entity for the instrument, and any listing rules, operating rules or clearing and settlement rules applicable to the instrument. In addition, the Australian Banking Act includes a moratorium on the taking of certain actions, such as denying any obligation, accelerating any debt, closing out any transaction or enforcing any security, on grounds relating to the operation of the Statutory Conversion and Write-Off Provisions.

13.16 Australian Banking Executive Accountability Regime

There are increasing penalties and specialized rules applicable to senior executives in the banking sector. The Banking Executive Accountability Regime ("**BEAR**") was introduced in 2018 as a new accountability framework for the directors and most senior executives in ADI groups.

The Australian Government announced in January 2020 that BEAR will be replaced by the Financial Accountability Regime ("**FAR**"), extending the regime to other APRA-regulated entities.

It was proposed that the FAR be jointly administered by APRA and ASIC and could impose larger civil penalties for any breaches. In October 2021, the Australian Government introduced the Financial Accountability Regime Bill 2021 ("**FAR Bill**"). In April 2022, the FAR Bill lapsed following the announcement of an election. The FAR Bill was most recently reintroduced to the Australian Parliament in March 2023. If the most recent bill is passed in its current form, the FAR will be implemented in stages for in-scope entities within the ANZBGL Group commencing with ANZBGL within six months after its passage into legislation and for any insurers or licensed superannuation trustees within the ANZBGL Group within 18 months after its passage into legislation. Potential risks to the ANZ Bank NZ Group from the BEAR legislation and the FAR include the risk of penalties and the risk to the ANZBGL Group's ability to attract and retain high-quality directors and senior executives.

13.17 APRA Total Loss Absorbing Capacity Requirements

In July 2019, APRA announced its decision on loss-absorbing capacity requiring Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of risk weighted assets by January 2024. On December 2, 2021, APRA announced that it had finalized its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of risk weighted assets by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of risk weighted assets. APRA expects the requirement to be satisfied predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on ANZBGL's actual risk weighted assets as at January 2026.

It is uncertain what impact this change may have on the ANZ Bank NZ Group.

13.18 Dodd-Frank Act

Each of ANZBGL, ANZ BH Pty Ltd, which is the subsidiary of ANZGHL through which ANZGHL holds its interest in ANZBGL ("**ANZ Bank HoldCo**"), and ANZGHL is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("**Dodd-Frank**"). Dodd-Frank regulates many aspects of the business of banking in the United States and internationally.

Section 13 of the *Bank Holding Company Act of 1956,* and its implementing regulations, commonly referred to as the "Volcker Rule," among other things, generally prohibit banks and their affiliates from engaging in certain "proprietary trading" (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, certain private funds (including private equity funds and hedge funds), subject to certain important exceptions and exemptions.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps and security-based swaps, require the central execution and clearing of standardized over-the-counter derivatives on regulated trading platforms and clearing houses, set limits on the size of positions in certain types of derivatives, require the reporting of transaction data to regulated swap and security-based swap data repositories, and provide for heightened supervision of dealers and major market participants in the derivatives markets. ANZBGL is a provisionally registered swap dealer under the Commodity Exchange Act and Commodity Futures Trading Commission ("**CFTC**") regulations. While ANZBGL is not a registered security-based swap dealer with the SEC, it may register at such time as it is required or that it considers appropriate. In addition, other affiliated entities within the ANZBGL Group could become subject to swap dealer or security-based swap dealer registration, depending on the level of their swap or security-based swap dealing activities with counterparties that are U.S. persons and certain other categories of counterparties. Even if not required to be registered with the CFTC or the SEC, such entities are potentially subject to certain of the CFTC's or SEC's regulatory requirements, in connection with transactions that they enter into with counterparties that are U.S. persons and certain other categories of counterparties.

In 2020, the CFTC adopted rules regarding cross-border transactions which, among other things, permit "substituted compliance" by swap dealers located in non-U.S. jurisdictions with regulatory schemes determined by the CFTC to be comparable to its own. The CFTC has previously made such a determination with respect to certain aspects of Australian law and regulation pursuant to guidance issued by the CFTC prior to its adoption of the cross-border rules, and that determination remains in effect under the new rules. Pursuant to that determination, ANZBGL is able to rely on substituted compliance with certain Australian rules in lieu of compliance with corresponding CFTC rules.

U.S. prudential regulators, the CFTC and the SEC have implemented rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. As ANZBGL is a swap dealer supervised by the Federal Reserve Board ("**FRB**") and operates the New York Branch that is regulated by the Office of the Comptroller of the Currency ("**OCC**"), it is required to comply with the uncleared swap margin rules promulgated by the FRB, Farm Credit Administration, FDIC, Federal Housing Financial Agency and the OCC. These rules impose requirements to collect and post initial and variation margin in respect of in-scope trading with in-scope counterparties. The rules of the prudential regulators and the CFTC also allow non-U.S. swap dealers, such as ANZBGL, to comply with the applicable laws of non-U.S. jurisdictions in lieu of compliance with their margin rules if the prudential regulators make a determination of comparability with respect to such non-U.S. jurisdictions, or otherwise not to comply with U.S. margin rules, with respect to certain categories of transactions and counterparties.

As required by Dodd-Frank and its implementing regulations, ANZBGL submitted its most recent U.S. resolution plan to the FRB and FDIC in June 2022, which was prior to the Restructure. Following the Restructure, ANZGHL will submit U.S. resolution plans to the FRB and the FDIC. In October 2019, the FRB and the FDIC issued final rules that apply tailored requirements on resolution planning and a modification of the enhanced prudential standards applicable to foreign banking organizations, depending on the size of their U.S. operations and their risk profile. Under the final rules, ANZGHL will be required to submit a reduced resolution plan by July 1, 2025. Each of ANZBGL, ANZGHL and ANZ Bank HoldCo is subject to "enhanced prudential regulations" under Regulation YY Subpart N, which was adopted pursuant to Section 165 of Dodd-Frank and requires quarterly and annual certification of compliance with the financial and risk oversight requirements thereof.

ANZGHL conducts its debt capital markets activities in the United States through ANZ Securities, Inc. ("**ANZSI**"). ANZSI is a broker-dealer licensed by the SEC and supervised by the SEC and the Financial Industry Regulatory Authority ("**FINRA**"). ANZSI is also licensed in the states and territories where it does business. The SEC and FINRA have extensive compliance requirements that apply to ANZSI, including record-keeping, transaction and communications monitoring, supervision of ANZSI staff, internal policies and procedures, and many others that govern the day-to-day business of ANZSI. ANZSI is subject to periodic reviews of its operations by the SEC and FINRA.

13.19 FATCA

FATCA requires FIs to undertake specific customer due diligence and provide information on account holders (including substantial owners for certain entities) who are U.S. citizens or tax residents to the U.S. Federal tax authority, the IRS, either directly or via local tax authorities. If the required customer data collection due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the ANZ Bank NZ Group and/or persons owning assets in accounts with ANZ Bank NZ Group members may be subjected to a 30% withholding tax on certain amounts. While such withholding may currently apply only to certain payments derived from sources within the United States, no such withholding will be imposed on any payments derived from sources outside the United States that are made prior to the date that is two years after the date on which final U.S. regulations defining the term "foreign passthru payment" are enacted. There is currently no proposed or final definition of "foreign passthru payment" (though legislative requirements and timeframes may be subject to change) and it is therefore impossible to know whether certain payments could possibly be treated as foreign passthru payments.

The discussion above reflects proposed U.S. regulations that eliminate withholding on certain gross proceeds payments and delay the effective date for withholding on payments from sources outside the United States. The U.S. Treasury Department has indicated that taxpayers may rely on the proposed regulations. The discussion assumes that the regulations will be finalized in their current form and will be effective retroactively.

In addition to FATCA, the U.S. may require the ANZ Bank NZ Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the ANZ Bank NZ Group and/or its customers may face withholding if the ANZ Bank NZ Group does not provide such information in compliance with the applicable rules and regulations. Moreover, even if the ANZ Bank NZ Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

In the case of New Zealand institutions and branches, such information is to be furnished to the IRD, which would then forward the information to the IRS pursuant to an intergovernmental agreement between the United States and New Zealand.

13.20 CRS

The OECD's CRS requires certain FIs to collect and report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related account opening information collection and due diligence procedures. Holders of Notes may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement and relevant information exchange agreement may provide this information to other participating jurisdictions. The New Zealand Government has enacted legislation to give effect to the CRS.

New Zealand FIs that do not fully comply with the CRS may be subject to administrative penalties. See "Risk Factors—Risks relating to the ANZ Bank NZ Group's business—Ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information (AEoI) obligations imposed by global customer tax transparency regimes may adversely affect the ANZ Bank NZ Group's Position" in this Offering Memorandum for more information.

13.21 Conditions of Registration for ANZ Bank New Zealand Limited

These conditions apply on and after June 1, 2023**.** For the purposes of this section references to "$" are to New Zealand dollars.

The registration of ANZ Bank New Zealand Limited ("**the bank**") as a registered bank is subject to the following conditions:

1. That—

(a) the Total capital ratio of the banking group is not less than 8%;

(b) the Tier 1 capital ratio of the banking group is not less than 6%;

(c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

(d) the Total capital of the banking group is not less than $30 million.

For the purposes of this condition of registration,—

"**Total capital ratio**", "**Tier 1 capital ratio**", and "**Common Equity Tier 1 capital ratio**" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formulae for calculating the ratios,—

(a) the term "total capital requirement for operational risk" has the same meaning as in BPR150: Standardised Operational Risk; and

(b) for the purpose of calculating the term "total RWA equivalents", in calculating the component "total credit risk RWAs" under section C1.4 of BPR130: Credit Risk RWAs Overview, the bank must add the sum of the following amounts to the term "total RWAs calculated using the IRB approach":

(i) the greater of:

(A) 27.66 percent of the exposure-at-default (EAD) amount of non- defaulted standard residential mortgage loans less the risk- weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted standard residential mortgage loans; and

(B) zero;

and

(ii) the greater of:

(A) 75.47 percent of the exposure-at-default (EAD) amount of non- defaulted corporate farm lending exposures less the risk- weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted corporate farm lending exposures; and

(B) zero;

"**standard residential mortgage loan**" has the same meaning as in section C3.4 of BPR131: Standardised Credit Risk RWAs;

"**corporate farm lending exposures**" has the same meaning as in section B1.9 of BPR133: IRB Credit Risk RWAs;

"**Total capital**" has the same meaning as in BPR110: Capital Definitions.

1A. That—

(a) the bank has an internal capital adequacy assessment process ("**ICAAP**") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the bank must—

(a) comply with the minimum requirements for using the IRB approach set out in BPR134: IRB Minimum System Requirements;

(b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: AMA Operational Risk;

(c) follow the process in Part E of BPR120: Capital Adequacy Process Requirements for obtaining Reserve Bank approval for any changes to any IRB credit risk model;

(d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: Capital Adequacy Process requirements.

1C. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 3.5% or less, the bank must—

(a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0 – 0.5%	0%	Stage 3
>0.5 – 1%	30%	Stage 2
>1 – 2%	60%	Stage 1
>2 – 3.5%	100%	None

(b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration,—

"**prudential capital buffer ratio**", "**distributions**", and "**earnings**" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formula for calculating the buffer ratio, the term "total capital requirement for operational risk" has the same meaning as in BPR150: Standardised Operational Risk;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1CA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

1D. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"**insurance business**" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"**insurer**" and "**contract of insurance**" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating- contingent limit outlined in the following matrix:

Credit rating of the bank[1]	**Connected exposure limit (% of the banking group's Tier 1 capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

[1]This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for **impairment**) to non-bank connected persons shall not exceed 15% of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2021.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;

(b) the majority of the board members must be non-executive directors;

(c) at least half of the board members must be independent directors;

(d) an alternate director,—

(i) for a non-executive director must be non-executive; and

(ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the bank must be independent; and

(g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e., the bank).

For the purposes of this condition of registration, "**non-executive**" and "**independent**" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the bank;

   (d) the majority of the members of the committee must be independent; and

   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "**non-executive**" and "**independent**" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:

   (a) that the bank's clearing and settlement obligations due on a day can be met on that day;

   (b) that the bank's financial risk positions on a day can be identified on that day;

   (c) that the bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

   (d) that the bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

   This condition ceases to apply in respect of an existing outsourcing arrangement on the earlier of either 1 October 2023 or when the existing outsourcing arrangement becomes compliant with condition 21, from which point in time condition 21 will apply to that outsourcing arrangement.

   For the purposes of this condition of registration:

   (a) the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006; and

   (b) the term "existing outsourcing arrangement" is defined in the Reserve Bank of New Zealand document entitled "Outsourcing Policy (BS11)" dated September 2022.

12. That:

   (a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;

   (b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "**CEO**") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and

   (c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:

   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

   (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

   (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

   (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and

(d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"**total assets**" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"**SPV**" means a person—

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"**covered bond**" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "**qualifying acquisition or business combination**", "**notification threshold**" and "**non-objection threshold**" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a *de minimis* to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, ***"de minimis",*** "**partial freeze**", "**customer liability account**", and "**frozen and unfrozen funds**" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre- positioning Requirements Policy" (BS17) dated June 2022.

18. That the bank has an Implementation Plan that—

(a) is up-to-date; and

(b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated June 2022.

For the purposes of this condition of registration, "**Implementation Plan**" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

19. That the bank has a compendium of liabilities that—

(a) at the product-class level lists all liabilities, indicating which are—

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "**compendium of liabilities**", and "**pre- positioned and non pre-positioned liabilities**" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "**Implementation Plan**" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

21. That the bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2022.

22. That, for a loan-to-valuation measurement period ending on or after 31 August 2023, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

23. That, for a loan-to-valuation measurement period ending on or after 31 August 2023, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

24. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"**banking group**" means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"**generally accepted accounting practice**" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1D, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

BPR document	**Version date**
BPR100: Capital adequacy	1 October 2021
BPR110: Capital definitions	1 October 2021
BPR120: Capital adequacy process requirements	1 July 2021
BPR130: Credit risk RWAs overview	1 July 2021
BPR131: Standardised credit risk RWAs	1 October 2021
BPR132: Credit risk mitigation	1 October 2021
BPR133: IRB credit risk RWAs	1 October 2021
BPR134: IRB minimum system requirements	1 July 2021
BPR140: Market risk exposure	1 October 2021

BPR150: Standardised operational risk	1 July 2021
BPR151: AMA operational risk	1 July 2021
BPR160: Insurance, securitisation, and loan transfers	1 July 2021
BPR001: Glossary	1 July 2021

In conditions of registration 22 to 25,—

"**loan-to-valuation ratio**", "**non property-investment residential mortgage loan**", "**property-investment residential mortgage loan**", "**qualifying new mortgage lending amount in respect of property-investment residential mortgage loans**", "**qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans**", and "**residential mortgage loan**" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"**loan-to-valuation measurement period**" means a period of three calendar months ending on the last day of the third calendar month.

13.22 Loan information litigation

In September 2021, representative proceedings were brought against ANZ Bank NZ, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ Bank NZ is defending the allegations. The proceedings are still at an early stage. In July 2022, the High Court ruled that the proceedings shall proceed as an opt-out representative action brought by one representative plaintiff on behalf of a class, being customers who entered into a home loan or personal loan with ANZ Bank NZ between June 6, 2015 and May 28, 2016 and requested a variation to that loan during that period. All parties have appealed aspects of that decision.

13.23 ANZNIL

ANZNIL is not a registered bank, and so is not directly subject to the Conditions of Registration imposed by the RBNZ, nor is it directly regulated by the RBNZ under the BPS Act. However, it is part of the banking group for the purposes of ANZ Bank NZ's registration.

14. PRESENTATION CURRENCY

ANZ Bank NZ Group publishes consolidated financial statements in New Zealand dollars. In Part B (Issuers and Guarantor Information) of this Offering Memorandum, unless otherwise stated or the context otherwise requires, references to "**US$**", "**USD**" and "**U.S. dollars**" are to U.S. dollars and references to "**$**", "**NZD**" and "**NZ$**" are to New Zealand dollars. For the convenience of the reader, this Offering Memorandum contains translations of certain NZ dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the NZ dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise stated, amounts reported in U.S. dollars have been translated at the Noon Buying Rate for March 31, 2023, which was US$0.6271 = NZ$1.00.

15. OPERATING AND FINANCIAL REVIEW

The following discussion of results of operations is based on the ANZ Bank NZ Unaudited Financial Statements and ANZ Bank NZ Audited Financial Statements (attached as part of Annex A to this Offering Memorandum) prepared under NZ GAAP (refer to "Section 1: Key Information – Basis of Preparation" for a description of NZ GAAP).

16. RESULTS OF OPERATIONS

16.1 ANZ Bank NZ Group income statement information - half year

The table below presents the ANZ Bank NZ Group's results for the six months ended March 31, 2023 and 2022 and for the financial year ended September 30, 2022.

	Six months ended March 31			Year ended September 30
	2023 US$m[1]	**2023[2] NZ$m**	**2022[2] NZ$m**	**2022[3] NZ$m**
Interest income	**2,930**	**4,672**	2,454	5,811
Interest expense	**1,583**	**2,525**	685	2,035
Net interest income	**1,347**	**2,147**	1,769	3,776
Other operating income	**150**	**239**	561	1,087
Net operating income	**1,497**	**2,386**	2,330	4,863
Operating expenses	**509**	**811**	826	1,653
Profit before credit impairment and income tax	**988**	**1,575**	1,504	3,210
Credit impairment charge / (release)	**76**	**121**	(20)	39
Profit before income tax	**912**	**1,454**	1,524	3,171
Income tax expense	**256**	**408**	423	882
Profit after income tax	**656**	**1,046**	1,101	2,289

(1) For the convenience of the reader, the financial data for the six months ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Source: ANZ Bank NZ Unaudited Financial Statements.
(3) Source: 2022 ANZ Bank NZ Financial Statements.

ANZ Bank NZ Group results

Comparison of March 2023 with March 2022

Profit after income tax for the March 2023 half year compared to the March 2022 half year decreased 5%, or $55 million, to $1,046 million.

Net interest income increased 21% from $1,769 million in the March 2022 half year to $2,147 million in the March 2023 half year. The net interest income increase was driven by a net interest margin increase of 36 basis points driven by higher yields on interest earning assets partly offset by higher yields on interest bearing liabilities. There was volume lending growth of 1% reflecting growth in housing and customer deposit volume growth of 1%.

Other operating income decreased 57% from $561 million in the March 2022 half year to $239 million in the March 2023 half year. The main factors contributing to this included:

- Decreases in the mark-to-market value of economic hedge derivatives. A fair value loss of $136 million was recorded in the March 2023 half year, compared to a fair value gain of $175 million in the March 2022 half year.
- Realized gains from the sale of government securities of $31 million and a release of excess provisions of $14 million, originally raised as part of the UDC Finance and Paymark Limited divestments in the March 2022 half year not repeated.
- Net Fee and commission income decreased $8 million in the March 2023 half year compared to the March 2022 half year. Lower funds management income was due to negative market performance.

Operating expenses decreased $15 million, from $826 million in the March 2022 half year to $811 million in the March 2023 half year due to lower investment spend with the wind up of a regulatory compliance project and productivity gains, partly offset by inflationary impacts.

Credit impairment charge increased $141 million, from a release of $20 million in the March 2022 half year to a charge of $121 million in the March 2023 half year. The collective provision charge increased $114 million, from a release of $16 million in the March 2022 half year to a $98 million charge in the March 2023 half year due to downside risk from uncertainty in the economic outlook and the release of a management temporary adjustment in the March 2022 half year not repeated. The individual provision charge increased $27 million, from a release of $4 million in the March 2022 half year to a $23 million charge in the March 2023 half year due to lower customer recoveries and write backs.

16.2 ANZ Bank NZ Group balance sheet information - half year

	As at March 31		
	2023 US$m[1]	2023[2] NZ$m	2022[2] NZ$m
Assets			
Cash and cash equivalents	**7,937**	**12,657**	11,178
Settlement balances receivable	**324**	**516**	913
Collateral paid	**361**	**576**	612
Trading securities	**3,548**	**5,657**	7,818
Derivative financial instruments	**3,985**	**6,354**	9,000
Investment securities	**7,030**	**11,211**	10,291
Net loans and advances	**92,280**	**147,154**	146,121
Current tax assets	**4**	**6**	34
Deferred tax assets	**223**	**355**	327
Goodwill and other intangible assets	**1,942**	**3,096**	3,103
Premises and equipment	**265**	**423**	485
Other assets	**621**	**990**	609
Total assets	**118,520**	**188,995**	190,491
Liabilities			
Settlement balances payable	**2,138**	**3,410**	4,592
Collateral received	**662**	**1,056**	1,070
Deposits and other borrowings	**87,432**	**139,423**	138,704
Derivative financial instruments	**3,939**	**6,281**	8,376
Payables and other liabilities	**1,208**	**1,926**	1,242
Employee entitlements and other provisions	**208**	**331**	382
Debt issuances	**11,719**	**18,688**	19,097
Total liabilities	**107,306**	**171,115**	173,463
Net assets	**11,214**	**17,880**	17,028
Equity			
Share capital	**7,800**	**12,438**	11,888
Reserves	**12**	**19**	7
Retained earnings	**3,402**	**5,423**	5,133
Total equity	**11,214**	**17,880**	17,028

(1) For the convenience of the reader, the financial information as at March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Source: ANZ Bank NZ Unaudited Financial Statements.

Other Banking Data

		As at March 31,	
	RBNZ minimum	2023	2022
Capital adequacy ratios			
Common equity tier 1 capital (%)	**4.5**	**12.2**	12.4
Tier 1 capital (%)	**6.0**	**13.8**	14.5
Total capital (%)	**8.0**	**15.2**	15.1
Prudential capital buffer ratio (%)[1]	**3.5**	**7.2**	7.1
Risk-weighted exposures (NZ$ millions)[2]		**110,415**	106,268

(1) The prudential capital buffer ratio increased from 2.5% as of March 31, 2022 to 3.5% in July 2022.
(2) Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by the RBNZ.

Comparison of March 2023 with March 2022

Total assets decreased $1,496 million, from $190,491 million at March 31, 2022 to $188,995 million at March 31, 2023. Key influences on the movement in assets include:

- Assets held for liquidity purposes comprise cash and cash equivalents, settlement balances receivable, trading securities, and investment securities. These assets in aggregate decreased $159 million to $30,041 million at March 31, 2023, from $30,200 million at March 31, 2022. The decrease was reflective of overall liquidity management activities.
- Derivative financial instrument assets decreased $2,246 million due to a decrease in unrealized gains on interest rate movements.
- Net loans and advances increased by $1,033 million, or 1%, from $146,121 million at March 31, 2022 to $147,154 million at March 31, 2023. Gross loans and advances increased $1,222 million at March 31, 2023, with housing loans increasing $1,526 million and non-housing decreasing $450 million. The provision for credit impairment increased by $177 million to $750 million at March 31, 2023, which is netted against gross loans and advances.

Total liabilities decreased by $2,348 million, from $173,463 million at March 31, 2022, to $171,115 million at March 31, 2023. Key influences on the movement in liabilities include:

- Total deposits and other borrowings increased by 1%, or $719 million, from $138,704 million at March 31, 2022 to $139,423 million at March 31, 2023. Customer deposits increased by 1%, or $927 million, from $129,371 million at March 31, 2022, to $130,298 million at March 31, 2023, reflecting deposit gathering to fund growth in lending.
- Debt issuances decreased $409 million at March 31, 2023. This decrease reflects lower net maturities of $1,169 million and a negative exchange rate impact of $760 million.
- Derivative financial instruments liabilities decreased $2,095 million due to a decrease in unrealized losses on interest rate contracts.

16.3 ANZ Bank NZ Group income statement information – full year

	Years ended September 30,			
	2022 US$m[1]	**2022[2] NZ$m**	**2021[2] NZ$m**	**2020[2] NZ$m**
Interest income	**3,279**	**5,811**	4,600	5,568
Interest expense	**1,148**	**2,035**	1,176	2,306
Net interest income	**2,130**	**3,776**	3,424	3,262
Other operating income	**613**	**1,087**	765	807
Operating income	**2,744**	**4,863**	4,189	4,069
Operating expenses	**933**	**1,653**	1,621	1,752
Profit before credit impairment and income tax	**1,811**	**3,210**	2,568	2,317
Credit impairment charge / (release)	**22**	**39**	(114)	403
Profit before income tax	**1,789**	**3,171**	2,682	1,914
Income tax expense	**498**	**882**	743	541
Profit for the year	**1,291**	**2,289**	1,939	1,373

(1) For the convenience of the reader, the financial information for the financial year ended September 30, 2022 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for September 30, 2022 of NZ$1.00=US$0.5642.
(2) Source: ANZ Bank NZ Financial Statements.

ANZ Bank NZ Group results

Comparison of financial year 2022 with financial year 2021

Profit for the year ended September 30, 2022 compared to the year ended September 30, 2021 increased 18%, or $350 million, to $2,289 million.

Net interest income increased $352 million, or 10%, from $3,424 million in 2021 to $3,776 million in 2022. The increase reflects lending and deposit volume growth, and the rising interest rate environment with a significant increase in the Official Cash Rate since 2021. The net interest margin increased 11 basis points driven by a higher yield on interest earning assets partly offset by higher costs. Period end lending volumes increased 4.5% in 2022 driven by growth in housing. Customer deposits increased 4% in 2022.

Other operating income increased $322 million, or 42%, from $765 million in 2021 to $1,087 million in 2022. The main factors contributing to this increase include:

- Increase in the mark-to-market value of economic hedge derivatives. Fair value gains of $295 million were recorded in 2022, compared to fair value gains of $21 million in 2021.
- Increase in rates trading $24 million recovering from losses in prior year to a gain in 2022.
- Realized gains from the sale of government securities of $31 million in 2022.
- FX revaluation benefit of $19 million in 2022.
- Net fee and commission income decreased $16 million due to a reduction or removal of funds under management fees.
- A release of excess provisions of $14 million, originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior years offset by a gain on the sale of a legacy insurance portfolio $14 million in the prior year not repeated.

Operating expenses increased $32 million, or 2%, from $1,621 million in 2021 to $1,653 million in 2022, due to higher investment spend and inflationary impacts partly offset by lower discretionary spend and productivity gains.

The credit impairment charge increased $153 million from a $114 million release in 2021 to a $39 million charge in 2022. The individual provision charge increased $23 million from a $21 million release in 2021 to a $2 million charge in 2022, primarily due to higher levels of new and top up provisions raised, and lower write-backs and recoveries. The collective provision increased by $130 million from a $93 million release in 2021 compared to a $37 million charge in 2022, reflecting downside risk in the economic outlook.

Comparison of financial year 2021 with financial year 2020

Profit for the year ended September 30, 2021 compared to the year ended September 30, 2020 increased 41%, or $566 million, to $1,939 million.

Net interest income increased $162 million, or 5%, from $3,262 million in 2020 to $3,424 million in 2021. The increase reflects lending and deposit volume growth, partly offsetting the decreases in interest income and interest expense driven by a significant decline in the Official Cash Rate and bank bill rate since March 2020. The net interest margin increased 1 basis point driven by lower funding costs, partly offset by a lower yield on interest earning assets. Period end lending volumes increased 6% in 2021 driven by growth in housing. Customer deposits increased 4% in 2021 reflecting COVID-19 measures which included the government wage subsidy and quantitative easing impacts.

Other operating income decreased $42 million, or 5%, from $807 million in 2020 to $765 million in 2021. The main factors contributing to this decrease include:

- Unfavorable movements in credit spreads and reduced gains on valuation adjustments with banking spreads normalizing decreased income $143 million.
- Increase in the mark-to-market value of economic hedge derivatives. Fair value gains of $21 million were recorded in 2021, compared to fair value losses of $32 million in 2020.
- Net fee and commission income decreased $3 million with reduced commission income due to the wind-up of the Bonus Bonds business and reduction or removal of fees, partially offset by higher funds management income.
- A gain on sale from a legacy insurance portfolio to Tower ($14 million) compared to net loss on sale from the divested operation of UDC ($32 million) in 2020.

Operating expenses decreased $131 million, or 7%, from $1,752 million in 2020 to $1,621 million in 2021, driven by lower customer remediation and restructuring expenses, lower expenses post UDC sale completion, realization of productivity benefits, and goodwill impairment and accelerated software amortization in the prior year. This was partially offset by higher personnel costs and investment cost.

The credit impairment charge decreased $517 million from a $403 million charge in 2020 to a $114 million release in 2021. The individual provision charge decreased $133 million from a $112 million charge in 2020 to a $21 million release in 2021, primarily due to lower transitions to impairment and write-backs. The collective provision charge was $384 million lower from a $291 million charge in 2020 compared to a $93 million release in 2021, reflecting an improved economic outlook.

16.4 Analysis of major income and expense items – full year

Net interest income

The following table shows the ANZ Bank NZ Group's net interest income for the financial years ended September 30, 2022, 2021 and 2020.

	Years ended September 30,		
	2022 NZ$m	**2021 NZ$m**	**2020 NZ$m**
Interest income	**5,811**	4,600	5,568
Interest expense	**2,035**	1,176	2,306
Net interest income	**3,776**	3,424	3,262

Comparison of financial year 2022 with financial year 2021

Net interest income totaled $3,776 million in 2022, an increase of 10%, or $352 million, over 2021. The movement in net interest income was driven by an increase of $236 million due to average volume growth, and $116 million due to a change in average interest rate. Key influences on the result are discussed below.

Movements in average margin[1]

The overall interest spread decreased from 1.86% in 2021 to 1.84% in 2022, with the yield on total average interest earning assets increasing 57 basis points, and the yield on total average interest bearing liabilities increasing 59 basis points. Key influences on the result include the following:

- The average yield on net loans and advances volumes increased 50 basis points from 3.15% in 2021 to 3.65% in 2022, primarily due to repricing in a rising interest rate environment.
- The average yield on trading securities increased 78 basis points from 1.06% in 2021 to 1.84% in 2022, primarily due to lower yielding assets being replaced by higher yielding assets.
- The average yield on commercial paper, deposits and other borrowings increased 53 basis points from 0.63% in 2021 to 1.16% in 2022 and the average yield on unsubordinated debt increased 101 basis points from 1.73% in 2021 to 2.74% in 2022, primarily due to a rising interest rate environment.

Movements in average volume[1]

- Average interest earning assets increased $7,393 million, or 4% in 2022 compared to 2021. This increase was in average net loans and advances which increased $8,006 million, or 6%, primarily reflecting growth in the housing lending market.
- Average interest bearing liabilities increased $4,429 million in 2022, primarily due to increased deposits and other borrowings, and commercial paper partly offset by decreased unsubordinated debt.
- Average unsubordinated debt and subordinated debt decreased $1,466 million in 2022 due to net maturities offset by foreign exchange impacts.

Comparison of financial year 2021 with financial year 2020

Net interest income totaled $3,424 million in 2021, an increase of 5%, or $162 million, over 2020. The movement in net interest income was driven by an increase of $402 million due to average volume growth, and a decrease of $240 million due to a change in average interest rate. Key influences on the result are discussed below.

Movements in average margin[1]

The overall interest spread increased from 1.73% in 2020 to 1.86% in 2021, with the yield on total average interest earning assets decreasing 72 basis points, and the yield on total average interest bearing liabilities decreasing 85 basis points. Key influences on the result include the following:

- The average yield on net loans and advances decreased 73 basis points from 3.87% in 2020 to 3.14% in 2021, primarily due to repricing in a lower interest rate environment and change in mix of the portfolio due to customers switching from floating into lower rate fixed home loans.
- The average yield on trading securities decreased 33 basis points from 1.39% in 2020 to 1.06% in 2021, primarily due to higher yielding assets being replaced by lower yielding assets.
- The average yield on commercial paper, deposits and other borrowings decreased 91 basis points from 1.54% in 2020 to 0.63% in 2021 and the average yield on unsubordinated debt decreased 35 basis points from 2.08% in 2020 to 1.73% in 2021, primarily due to a continued low interest rate environment.

Movements in average volume[1]

- Average interest earning assets increased $7,091 million, or 4% in 2021 compared to 2020. This increase was in average net loans and advances which increased $2,579 million, or 2%, primarily reflecting growth in the housing lending market.
- Average interest bearing liabilities increased $1,008 million in 2021, primarily due to increased deposits and other borrowings, and commercial paper partly offset by less unsubordinated debt.

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1 *Where applicable, references to average balances and ratios calculated using average balances have been referenced to the table "Average balance sheet and interest income/expense" under "Additional Financial and Statistical Information—Average balance sheet and interest income/expense". Unless otherwise stated, the methodology for calculating average balances is included in that table.*

- Average commercial paper, deposits and other borrowings increased $4,185 million, or 4%. This growth was driven by an increase of $3,879 million in average customer deposits, and commercial paper issued of $196 million.
- Average unsubordinated debt and subordinated debt decreased $4,858 million in 2021 due to net maturities offset by foreign exchange impacts.

Other operating income

The following table shows the ANZ Bank NZ Group's other operating income for the years ended September 30, 2022, 2021 and 2020.

	Years ended September 30,		
	2022 NZ$m	2021 NZ$m	2020 NZ$m
Net fee and commission income	**539**	555	558
Net foreign exchange earnings and other financial instruments income	**525**	179	261
Sale of legacy insurance portfolio	**-**	14	-
Gains / (losses) on sale of subsidiaries and associates	**-**	-	(32)
Other income	**23**	17	20
Other operating income	**1,087**	765	807

Comparison of financial year 2022 with financial year 2021

Other operating income totaled $1,087 million in 2022, an increase of $322 million, or 42%, compared to 2021. Key influences on the result include the following:

- Net fee and commission income decreased $16 million, or 3% due to a reduction or removal of funds under management fees.
- Net foreign exchange earnings and other financial instruments income increased $346 million in 2022 compared to 2021. This was due to fair value gains of $295 million (compared to fair value gains of $21 million in 2020), a $20 million increase from trading gains and market sales partly offset by valuation losses, a $19 million FX revaluation benefit and realized gains from the sale of government securities of $31 million in 2022.
- The gain on sale from a legacy insurance portfolio in 2021 ($14 million).
- Other income increased mainly due to release of excess provisions of $14 million, originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior years partly offset by lower internal income.

Comparison of financial year 2021 with financial year 2020

Other operating income totaled $765 million in 2021, a decrease of $42 million, or 5%, compared to 2020. Key influences on the result include the following:

- Net fee and commission income decreased $3 million, or 0.5%, with reduced commission income due to the wind-up of the Bonus Bonds business and reduction or removal of fees, partially offset by higher funds management income.
- Net foreign exchange earnings and other financial instruments income decreased $82 million in 2021 compared to 2020. This was due to balance sheet and markets trading losses, and reduced gains on valuation adjustments as bank funding spreads normalized, partly offset by fair value gains of $21 million (compared to fair value loss of $32 million in 2020).
- The gain on sale from a legacy insurance portfolio in 2021 ($14 million).
- The loss on sale of subsidiaries and associates in 2020 on the sale of UDC ($32 million).

Operating expenses

The following table shows the ANZ Bank NZ Group's operating expenses for the years ended September 30, 2022, 2021 and 2020.

	Years ended September 30,		
	2022 NZ$m	**2021 NZ$m**	**2020 NZ$m**
Personnel costs	**996**	935	988
Premises costs	**135**	134	157
Technology costs	**228**	221	239
Other costs	**294**	331	368
Operating expenses	**1,653**	1,621	1,752

Comparison of financial year 2022 with financial year 2021

Operating expenses totaled $1,653 million in 2022, an increase of $32 million, or 2%, over 2021. The key influences on the result include the following:

- Personnel costs increased $61 million, or 7%, due to inflationary impacts and increased investment costs partly offset by productivity gains from simplifying the business.
- Technology costs increased $7 million, or 3%, in 2022 compared to 2021, due to increased investment costs.
- Other costs decreased $37 million, or 11%, in 2022 compared to 2021, due to lower customer remediation cost in 2022.

Comparison of financial year 2021 with financial year 2020

Operating expenses totaled $1,621 million in 2021, a decrease of $131 million, or 7%, over 2020. The key influences on the result include the following:

- Personnel costs decreased $53 million, or 5%, due to productivity gains from simplifying the business and divested operations, lower restructuring and remediation costs partly offset by inflation and increased investment costs.
- Technology costs decreased $18 million, or 8%, in 2021 compared to 2020, due to accelerated software amortization in 2020 not repeated partly offset by increased investment costs.
- Other costs decreased $37 million, or 10%, in 2021 compared to 2020, due to goodwill write-off in 2020 not repeated.

16.5 ANZ Bank NZ Group balance sheet information – full year

	As at September 30,			
	2022[1] US$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Assets				
Cash and cash equivalents	**7,095**	**12,575**	7,844	8,248
Settlement balances receivable	**443**	**785**	237	378
Collateral paid	**943**	**1,672**	537	1,394
Trading securities	**4,078**	**7,228**	9,585	12,797
Derivative financial instruments	**8,734**	**15,481**	9,304	9,702
Investment securities	**6,408**	**11,357**	11,926	9,893
Net loans and advances	**82,975**	**147,067**	140,756	132,698
Deferred tax assets	**204**	**362**	390	327
Goodwill and other intangible assets	**1,748**	**3,099**	3,091	3,092
Premises and equipment	**254**	**450**	509	590
Other assets	**597**	**1,058**	590	625
Total assets	**113,480**	**201,134**	184,769	179,744
Liabilities				
Settlement balances payable	**2,783**	**4,933**	2,704	2,950
Collateral received	**1,107**	**1,962**	738	1,275
Deposits and other borrowings	**78,786**	**139,642**	133,139	125,061
Derivative financial instruments	**7,777**	**13,785**	7,727	8,252
Current tax liability	**175**	**310**	170	251
Payables and other liabilities	**759**	**1,345**	1,464	1,115
Employee entitlements and other provisions	**197**	**350**	433	532
Debt issuances	**11,861**	**21,023**	21,502	24,439
Total liabilities	**103,446**	**183,350**	167,877	163,875
Total equity	**10,034**	**17,784**	16,892	15,869

(1) For the convenience of the reader, the financial information as at September 30, 2022 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for September 30, 2022 of NZ$1.00=US$0.5642.

Other banking data

		As at September 30,		
	RBNZ minimum	2022	2021	2020
Capital adequacy ratios				
Common Equity Tier 1 capital (%)	**4.5**	**12.4**	13.4	11.7
Tier 1 capital (%)	**6.0**	**15.0**	16.2	14.4
Total capital (%)	**8.0**	**16.4**	16.9	14.4
Prudential capital buffer ratio (%)[1]	**3.5**	**7.9**	8.9	6.4
Risk-weighted exposures (NZ$ millions)[2]		**107,677**	97,177	102,290

(1) The prudential capital buffer ratio increased from 2.5% as of September 30, 2021 to 3.5% in July, 2022.
(2) Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by the RBNZ.

Comparison of financial year 2022 with financial year 2021

Total assets increased $16,365 million, from $184,769 million as at September 30, 2021, to $201,134 million as at September 30, 2022. Key influences on the movement in assets include:

- Assets held for liquidity purposes comprise cash and cash equivalents, settlement balances receivable, trading securities, and investment securities. These assets in aggregate increased $2,353 million ($31,945 million as at September 30, 2022, from $29,592 million as at September 30, 2021). The increase was reflective of overall liquidity management activities.
- Derivative financial instruments assets increased $6,177 million due to increase in unrealized gains on foreign currency contracts partly offset by a decrease in unrealized gains on interest rate contracts (contra offset to movement in derivative financial instruments liabilities).
- Net loans and advances increased $6,311 million, or 4%, as at September 30, 2022. Gross loans and advances increased $6,372 million, with $5,359 million of this being housing lending and a $706 million increase in non-housing lending. The credit impairment balance increased $61 million to $646 million as at September 30, 2022 reflecting downside risk in the economic outlook.

Total liabilities increased $15,473 million, from $167,877 million as at September 30, 2021, to $183,350 million as at September 30, 2022. Key influences on the movement in liabilities include:

- Total deposits and other borrowings increased $6,503 million, or 5%, as at September 30, 2022. Customer deposits increased $5,201 million, or 4%, from 2021 to 2022 reflecting deposit gathering to fund growth in lending.
- Debt issuances decreased $479 million during 2022. The decrease reflects new issuances of $3,452 million, a positive exchange rate impact of $97 million, and maturities of $4,028 million.
- Derivative financial instruments liabilities increased $6,058 million due to an increase in unrealized losses on foreign currency contracts partly offset by a decrease in unrealized losses on interest rate contracts (contra offset to movement in derivative financial instruments assets).

Comparison of financial year 2021 with financial year 2020

Total assets increased $5,025 million, from $179,744 million as at September 30, 2020, to $184,769 million as at September 30, 2021. Key influences on the movement in assets include:

- Assets held for liquidity purposes comprise cash and cash equivalents, settlement balances receivable, trading securities, and investment securities. These assets in aggregate decreased $1,724 million ($29,592 million as at September 30, 2021, from $31,316 million as at September 30, 2020). The decrease was driven by a decrease in short term holdings and increase in long term liquid assets due to customer deposit mix shifting from term deposits to call deposits.
- Derivative financial instruments assets decreased $398 million due to a decrease in unrealized gains on interest rate contracts offset by an increase in unrealized gains on foreign currency contracts.
- Net loans and advances increased $8,058 million, or 6%, as at September 30, 2021. Gross loans and advances increased $7,868 million, with $9,255 million of this being housing lending offset by a decrease of non-housing lending of $1,354 million primarily due to repayments. The credit impairment balance decreased $109 million to $585 million as at September 30, 2021 due to improved economic outlook and lower transitions to impairment and write-backs, which is netted against gross loans and advances.

Total liabilities increased $4,002 million, from $163,875 million as at September 30, 2020, to $167,877 million as at September 30, 2021. Key influences on the movement in liabilities include:

- Total deposits and other borrowings increased $8,078 million, or 6%, as at September 30, 2021. Customer deposits increased $4,266 million, or 4%, from 2020 to 2021 reflecting COVID-19 measures which included the government wage subsidy and quantitative easing impacts.
- Debt issuances decreased $2,937 million during 2021. The decrease reflects new issuances of $3,278 million, a negative exchange rate impact of $1,316 million, and maturities of $4,899 million.
- Derivative financial instruments liabilities decreased $525 million due to a decrease in unrealized gains on interest rate contracts partly offset by an increase in unrealized gains on foreign currency contracts.

16.6 Results by segment

For further information on the composition of the divisions refer to "Section 2: Information on ANZ Bank New Zealand and Its Consolidated Subsidiaries – Principal Activities".

The segments reported are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

	Six months ended March 31,			Years ended September 30,		
	2023 NZ$m	2022[1] NZ$m Restated	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Personal	**567**	440	440	997	974	670
Business	**274**	284	372	742	631	402
Institutional	**269**	211	123	269	300	352
Other	**(64)**	166	166	281	34	(51)
Profit after income tax	**1,046**	1,101	1,101	2,289	1,939	1,373

(1) During the six months ended March 31, 2023, segment reporting was updated to reflect the transfer of certain larger business and property finance customers from Business to Institutional. The transfer aligns the customer needs with the right support and expertise delivering a better customer experience. Comparative amounts have been adjusted to be consistent with the current year's segment definitions. The change resulted in the movement of NZ$11.9 billion of net loans and advances, NZ$3.5 billion of customer deposits and NZ$200 million of goodwill as at September 30, 2022, and NZ$88 million of profit after tax for the six months ended March 31, 2022, from Business to Institutional.

Personal

	Six months ended March 31,		Years ended September 30,		
	2023	**2022**	**2022**	**2021**	**2020**
	NZ$m	**NZ$m**	**NZ$m**	**NZ$m**	**NZ$m**
Net interest income	**1,219**	1,020	2,210	1,990	1,812
Other operating income	**192**	202	414	486	490
Operating income	**1,411**	1,222	2,624	2,476	2,302
Operating expenses	**574**	585	1,165	1,147	1,214
Profit before credit impairment and income tax	**837**	637	1,459	1,329	1,088
Credit impairment charge / (release)	**50**	26	74	(18)	145
Profit before income tax	**787**	611	1,385	1,347	943
Income tax expense	**220**	171	388	373	273
Profit after income tax	**567**	440	997	974	670
Net loans and advances	**103,240**	101,370	102,709	95,061	86,362
Customer deposits	**86,108**	84,039	85,391	78,592	79,867

Half year

Personal profit after income tax of $567 million for the March 2023 half year increased 29% compared to the March 2022 half year.

- Net interest income increased $199 million, reflecting lending and deposit volume growth and favorable margins.
- Other operating income decreased 5% with lower funds management income due to negative market performance.
- Operating expenses decreased 2% due to lower investment spend with the wind up of a regulatory compliance project and productivity and were partly offset by inflationary impacts.
- Credit impairment charge increased $24 million, from a charge of $26 million in the March 2022 half year to a charge of $50 million in the March 2023 half year. The collective provision charge increased $24 million, from a charge of $19 million in the March 2022 half year to a $43 million charge in the March 2023 half year due to downside risk from uncertainty in the economic outlook. The individual provision charge was flat, with a charge of $7 million in the March 2022 half year and a $7 million charge in the March 2023 half year.
- Net loans and advances increased 2% in the March 2023 half year compared to the March 2022 half year, driven by increased housing lending. Deposit volumes grew by 2% in the March 2023 half year compared to the March 2022 half year reflecting deposit gathering to fund growth in lending.

Comparison of financial year 2022 with financial year 2021

Personal profit after income tax of $997 million in 2022 increased $23 million, or 2%, compared to 2021.

- Net interest income increased $220 million, or 11%, in 2022 compared to 2021 mainly due to favorable margins benefitting from the rising rate environment and lending and deposit volume growth.
- Other operating income decreased $72 million, or 15%, in 2022 compared to 2021 due to a reduction or removal of funds under management fees, transfer of the Merchants business unit to Business and gains on sale from a legacy insurance portfolio not repeated.
- Operating expenses increased $18 million, or 2%, in 2022 compared to 2021 due to higher investment costs and inflation impacts partly offset by productivity savings.
- The credit impairment charge increased $92 million reflecting greater downside risk in the economic outlook.
- Net loans and advances increased $7,648 million, or 8%, as at September 30, 2022 compared to September 30, 2021, primarily due to housing loan growth. Customer deposit volumes increased by $6,799 million, or 9%, as at September 30, 2022 compared to September 30, 2021. Net Loans and advances and Customer deposits impacted by the reorganization of the Personal and Business units which resulted in some customer re-segmentation. This resulted in an increase to Personal Net loans and advances and a decrease to Customer deposits.

Comparison of financial year 2021 with financial year 2020

Personal profit after income tax of $974 million in 2021 increased $304 million, or 45%, compared to 2020.

- Net interest income increased $178 million, or 10%, in 2021 compared to 2020 mainly due to lending and deposit volume growth and mix partly offset by deteriorating lending margins due to competition.
- Other operating income decreased $4 million, or 1%, in 2021 compared to 2020 with reduced commission income due to the wind-up of the Bonus Bonds business and reduction or removal of fees, partially offset by higher funds management income and gains on sale from a legacy insurance portfolio.
- Operating expenses decreased $67 million, or 6%, in 2021 compared to 2020 productivity gains, lower restructuring and customer remediation costs partly offset by inflation and investment relating to compliance.
- The credit impairment charge decreased $163 million reflecting an improved economic outlook.

- Net loans and advances increased $8,699 million, or 10%, as at September 30, 2021 compared to September 30, 2020, primarily due to housing loan growth and a net $318 million repurchase of mortgages from the New Zealand branch of ANZBGL. Customer deposit volumes decreased by $1,275 million, or 2%, as at September 30, 2021 compared to September 30, 2020.

Business

	Six months ended March 31,			Years ended September 30,		
	2023 NZ$m	2022 NZ$m Restated	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Net interest income	**496**	415	575	1,206	1,064	1,073
Other operating income	**26**	24	25	53	13	11
Operating income	**522**	439	600	1,259	1,077	1,084
Operating expenses	**109**	102	131	263	262	303
Profit before credit impairment and income tax	**413**	337	469	996	815	781
Credit impairment charge / (release)	**32**	(58)	(48)	(35)	(62)	223
Profit before income tax	**381**	395	517	1,031	877	558
Income tax expense	**107**	111	145	289	246	156
Profit after income tax	**274**	284	372	742	631	402
Net loans and advances	**24,924**	23,603	37,797	37,431	39,158	39,333
Customer deposits	**18,506**	20,079	23,671	22,566	23,744	18,437

The Business segment includes the Business and Agriculture business.

Half year

- The Business segment profit after income tax of $274 million for the March 2023 half year decreased 4% compared to the March 2022 half year.
- Net interest income increased $81 million, or 20%, in the March 2023 half year compared to the March 2022 half year reflecting lending growth and favorable margins.
- Other operating income increased $2 million primarily due to higher Merchant income.
- Operating expenses were $7 million, or 7%, higher in the March 2023 half year compared to the March 2022 half year due to inflationary impacts partly offset by lower investment spend with the wind up of a regulatory compliance project.
- Credit impairment charge increased $90 million, from a release of $58 million in the March 2022 half year to a charge of $32 million in the March 2023 half year. The collective provision charge increased $66 million, from a release of $37 million in the March 2022 half year to a $29 million charge in the March 2023 half year due to downside risk from uncertainty in the economic outlook and the release of a management temporary adjustment in the March 2022 half year that was not repeated. The individual provision charge increased $24 million, from a release of $21 million in the March to a $3 million charge in the March 2023 half year due to higher new provisions and lower customer recoveries and write backs.
- Net loans and advances increased $1,321 million, or 6%, in the March 2023 half year compared to the March 2022 half year, primarily driven by the re-segmentation of large Agriculture customers from Institutional to Business in the September 2022 half year. The March 2022 half year has not been restated to reflect this re-segmentation. Deposit volumes decreased by 8% in the March 2023 half year compared to the March 2022 half year.

Comparison of financial year 2022 with financial year 2021

Business profit after income tax of $742 million increased $111 million, or 18%, in 2022 compared to 2021.

- Net interest income increased $142 million, or 13%, in 2022 compared to 2021 due to favorable repricing in a rising rate environment and reflecting higher capital needs.
- Other operating income increased $40 million primarily due to the transfer of the Merchants business unit from Personal.
- Operating expenses increased $1 million, in 2022 compared to 2021 due to productivity savings offset by inflationary impacts and higher investment costs.
- The credit impairment release decreased $27 million in 2022 compared to 2021. The individual provision charge increased $20 million from a release of $30 million in 2021 to a release of $10 million in 2022 due to new and top up provisions. The collective provision charge increased $7 million from a release of $32 million in 2021 to a release of $25 million in 2022 reflecting greater downside risk in the economic outlook.
- Net loans and advances decreased $1,727 million, or 4%, in 2022 compared to 2021. Customer deposit volumes decreased $1,178 million, or 5%, in 2022 compared to 2021. Net Loans and advances and Customer deposits were impacted by the reorganization of the Personal and Business units which resulted in some customer re-segmentation. A decrease to Business Net loans and advances and an increase to Customer deposits.

Comparison of financial year 2021 with financial year 2020

Business profit after income tax of $631 million increased $229 million, or 57%, in 2021 compared to 2020.

- Net interest income decreased $9 million, or 1%, in 2021 compared to 2020. This reflected lower interest income post UDC sale completion in 2020.
- Operating expenses decreased $41 million, or 14%, in 2021 compared to 2020 due to productivity savings and lower expenses post UDC sale completion, lower remediation costs offset by inflation and higher investment costs.
- The credit impairment charge decreased $285 million in 2021 compared to 2020. The individual provision charge was $92 million lower in 2021 compared to 2020 due to lower transition to impairments and write-backs. The collective provision charge was $193 million lower in 2021 compared to 2020 reflecting an improved economic outlook.
- Net loans and advances decreased $175 million, or 0.4%, in 2021 compared to 2020 primarily due to the repayments and exits. Customer deposit volumes increased $5,307 million, or 29%, in 2021 compared to 2020.

Institutional

	Six months ended March 31,			Years ended September 30,		
	2023 NZ$m	**2022 NZ$m Restated**	**2022 NZ$m**	**2022 NZ$m**	**2021 NZ$m**	**2020 NZ$m**
Net interest income	**346**	318	158	308	333	345
Other operating income	**180**	112	111	259	235	378
Net operating income	**526**	430	269	567	568	723
Operating expenses	**113**	125	96	193	185	198
Profit before credit impairment and income tax	**413**	305	173	374	383	525
Credit impairment charge / (release)	**39**	12	2	-	(34)	35
Profit before income tax	**374**	293	171	374	417	490
Income tax expense	**105**	82	48	105	117	138
Profit after income tax	**269**	211	123	269	300	352
Net loans and advances	**18,990**	21,148	6,954	6,927	6,535	6,993
Customer deposits	**25,684**	25,253	21,661	22,373	22,793	22,559

Half year

Institutional profit after income tax of $269 million for the March 2023 half year increased 27% compared to the March 2022 half year.

- Net operating income increased 22%, or $96 million, in the March 2023 half year compared to the March 2022 half year due to favorable margins, gains from favorable credit spreads movement and Markets Trading gains.
- Operating expenses were 10%, or $12 million, lower in the March 2023 half year compared to the March 2022 half year due to lower investment spend with the wind up of a regulatory compliance project, productivity, partly offset by inflationary impacts.
- Credit impairment charge increased $27 million, from a charge of $12 million in the March 2022 half year to a charge of $39 million in the March 2023 half year. The collective provision charge increased $24 million, from a charge of $2 million in the March 2022 half year to $26 million charge in the March 2023 half year due to downside risk from uncertainty in the economic outlook. The individual provision charge increased $3 million, from a charge of $10 million in the March 2022 half year to a charge of $13 million in the March 2023 half year due to lower recoveries.
- Loans and advances decreased $2,158 million, or 10%, in the March 2023 half year compared to the March 2022 half year, primarily driven by the re-segmentation of large Agriculture customers from Institutional to Business in the September 2022 half year. The March 2022 half year has not been restated to reflect this re-segmentation. Deposits increased $431 million, or 2%, in the March 2023 half year compared to the March 2022 half year.

Comparison of financial year 2022 with financial year 2021

Institutional profit after income tax of $269 million decreased $31 million, or 10%, in 2022 compared to 2021.

- Operating income decreased $1 million, in 2022 compared to 2021. Transaction banking benefitted from a rising rate environment and the recovery of interest rates trading being offset by losses on valuation adjustment and balance sheet trading.
- Operating expenses increased $8 million, or 4%, in 2022 compared to 2021 due to higher investment costs and inflationary impacts partly offset by productivity savings.
- The credit impairment release decreased $34 million in 2022 compared to 2021 reflecting greater downside risk in the economic outlook.

Comparison of financial year 2021 with financial year 2020

Institutional profit after income tax of $300 million decreased $52 million, or 15%, in 2021 compared to 2020.

- Operating income decreased $155 million, or 21%, in 2021 compared to 2020 mainly due unfavorable movements in credit spreads and reduced gains on valuation adjustments with banking spreads normalizing.
- Operating expenses decreased $13 million, or 7%, in 2021 compared to 2020 due to productivity savings offset by inflation and higher investment costs.
- The credit impairment charge decreased $69 million in 2021 compared to 2020 reflecting the improved economic outlook.

Other

	Six months ended March 31,		Years ended September 30,		
	2023	**2022**	**2022**	**2021**	**2020**
	NZ$m	**NZ$m**	**NZ$m**	**NZ$m**	**NZ$m**
Profit / (loss) before income tax	**(88)**	225	381	41	(77)
Income tax expense / (credit)	**(24)**	59	100	7	(26)
Profit / (loss) after income tax	**(64)**	166	281	34	(51)

Other businesses mainly comprise support and Treasury functions that are centrally managed, with costs substantially charged to the operating business units, including: (i) the shareholder functions unit, which holds the ANZ Bank NZ Group's equity, including subordinated debt; (ii) certain significant items including the costs of organizational restructuring; and (iii) non-core items, including volatility related to derivatives entered into to manage interest rate and foreign exchange risk that are not designated in accounting hedge relationships but are considered to be economic hedges.

Half year

The results in the March 2023 half year reflect:

- Decreases in the mark-to-market value of economic hedge derivatives. A fair value loss of $136 million was recorded in the March 2023 half year, compared to a fair value gain of $175 million in the March 2022 half year.
- Realized gains from the sale of government securities of $31 million and a release of excess provisions of $14 million, originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior years in the March 2022 half year not repeated.

Comparison of financial year 2022 with financial year 2021

- Increases in the mark-to-market value of economic hedge derivatives. Fair value gains of $295 million were recorded in 2022, compared to fair value gain of $21 million in 2021.
- Realized gains from the sale of government securities of $31 million in 2022.
- A release of excess provisions of $14 million, originally raised as part of the UDC Finance and Paymark limited divestments completed in prior years.

Comparison of financial year 2021 with financial year 2020

- A net loss on sale from divested operation of UDC ($32 million) in 2020.
- Increases in the mark-to-market value of economic hedge derivatives. Fair value gains of $21 million were recorded in 2021, compared to fair value losses of $32 million in 2020.

17. CREDIT RISK

17.1 Loans and advances by category

The following table presents ANZ Bank NZ's portfolio by category of loans and advances. The statistics reflect ANZ Bank NZ's gross loan advances, including provisions and net of unearned income.

	As at March 31,		As at September 30,		
	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Overdrafts	**938**	887	968	799	659
Credit cards	**1,264**	1,169	1,238	1,127	1,300
Term loans - housing	**104,324**	102,798	103,872	98,513	89,258
Term loans - non-housing	**40,989**	41,439	41,234	40,528	41,882
Subtotal	**147,515**	146,293	147,312	140,967	133,099
Unearned income	**(32)**	(34)	(32)	(29)	(26)
Capitalized brokerage and other origination costs	**421**	435	433	403	319
Gross loans and advances	**147,904**	146,694	147,713	141,341	133,392
Allowance for expected credit losses	**(750)**	(573)	(646)	(585)	(694)
Net loans and advances	**147,154**	146,121	147,067	140,756	132,698

17.2 Credit quality

ANZ Bank NZ maintains a systematic, continuous approach to the collection of loan arrears, and it issues notices of arrears or defaults in terms detailed in policies and procedures. For purposes of loan quality, ANZ Bank NZ distinguishes between commercial loans and other (including residential mortgage) loans. ANZ Bank NZ generally classifies commercial loans and housing loans as either performing, impaired or, in some cases, restructured assets.

ANZ Bank NZ monitors consumer loan quality by independently verifying arrears and producing and distributing detailed credit performance reports to management. In addition, ANZ Bank NZ closely examines the trends on arrears of various products within the portfolio to ensure measures are taken to correct and control any adverse trends that may be identified. ANZ Bank NZ manages commercial loans through a watch and control list process pursuant to detailed policies and procedures. Secured impaired assets and larger unsecured impaired assets are managed individually and are subject to continuous review of recovery strategy and the adequacy of provisioning levels.

Impaired assets are credit exposures where there is doubt as to whether the full contractual amount (including interest) will be received, and/or where a material credit obligation is 90 days past due but not well secured, or is a portfolio managed facility that can be held for up to 180 days past due, or where concessional terms have been provided due to the financial difficulties of the customer.

ANZ Bank NZ's individual provisioning policy varies depending on the category of lending provided. ANZ Bank NZ raises an individual provision on non-accrual loans based on expected security realization values less selling costs.

17.3 Impaired assets

Gross impaired assets have decreased $2 million, or 1%, from $150 million at March 31, 2022, to $148 million at March 31, 2023. The decrease was driven by customers returning to a productive status, asset realization and debt repayment in the non-retail portfolio. ANZ Bank NZ continues its strategy of working with customers to return them to a productive status or to achieve maximum recoveries for ANZ Bank NZ and the customer. Given subdued sales volumes across some asset markets, this strategy can involve extended work-outs for some customers but it is achieving adequate levels of assets realized or repaid, or provisions recovered. Bad debts written-off as at March 31, 2023, were $16 million.

The following table presents ANZ Bank NZ's impaired assets and details of individual provisions for credit impairment for the dates indicated.

	As at March 31,		As at September 30,		
	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Gross balances of impaired assets					
with individual provisions set aside	**138**	140	136	143	329
without individual provisions set aside	**10**	10	10	12	32
Gross impaired assets	**148**	150	146	155	361
Individual provision for credit impairment	**93**	76	82	75	128
Net impaired assets	**55**	74	64	80	233
Net impaired assets as a percentage of gross loans and advances (%)	**0.04**	0.05	0.04	0.06	0.18
Analysis of movements in impaired assets					
Balance at the beginning of the period	**146**	155	155	361	285
New and increased impaired assets	**70**	92	151	147	377
Impaired assets written off during the period	**(16)**	(15)	(37)	(47)	(92)
Impaired assets realized or transferred to performing	**(52)**	(82)	(123)	(306)	(195)
UDC divestment	**-**	-	-	-	(14)
Balance at the end of the period	**148**	150	146	155	361
Gross impaired assets as a percentage of gross loans and advances (%)	**0.10**	0.10	0.10	0.11	0.27
Gross impaired assets and 90 days past due assets as a percentage of gross loans and advances (%)	**0.44**	0.37	0.41	0.37	0.66
Interest income forgone on impaired assets during the period					
Net interest charged but not recognized in the income statement	**4**	3	5	6	8
Net interest charged and recognized in the income statement	**1**	2	3	8	9
Past due loans					
Details of size of gross impaired assets					
Less than one million	**31**	43	32	49	44
Greater than one million but less than ten million	**61**	69	60	106	139
Greater than ten million	**56**	38	54	-	178
Gross impaired assets	**148**	150	146	155	361
Past due loans not shown as impaired assets					
Gross loans past due not subject to individual provision[1, 2]	**500**	396	452	372	523
Total past due loans	**648**	546	598	527	884

(1) Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue on such loans continues to be recognized in the balance sheet.
(2) Despite the arrears of such loans, an assessment of the value of the security, including mortgage insurance in the case of residential loans, indicates that principal and interest should be recovered in full.

17.4 Credit impairment charge

The credit impairment charge increased $141 million, from a release of $20 million at March 31, 2022, to a charge of $121 million at March 31, 2023, driven by changes to the economic outlook and to the scenario weightings to reflect the increased downside risk. See below for information on the economic assumptions used in calculating collective provisions.

The individual provision charge increased $27 million from a release of $4 million at March 31, 2022, to a charge of $23 million at March 31, 2023, due to lower write-backs and recoveries.

The following table presents details of the ANZ Bank NZ Group's provisions for impaired assets for the periods indicated.

	As at March 31,		As at September 30,		
	2023	2022	2022	2021	2020
	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Collective provision					
Balance at the beginning of the period[1]	**669**	632	632	725	486
Charge / (release) to income statement	**98**	(16)	37	(93)	291
UDC divestment	**-**	-	-	-	(52)
Balance at the end of the period	**767**	616	669	632	725
Individual provision					
Balance at the beginning of the period	**82**	75	75	128	108
Charge to income statement	**23**	(4)	2	(21)	112
Recoveries	**5**	17	37	18	23
Bad debts written off	**(16)**	(15)	(37)	(47)	(92)
Discount unwind	**(1)**	3	5	(3)	(9)
UDC divestment	**-**	-	-	-	(14)
Balance at the end of the period	**93**	76	82	75	128
Total balance at the end of the period	**860**	692	751	707	853
The provision for impairment expressed as a percentage of gross impaired assets less interest reserved (%):					
Individual provisions	**62.84**	50.67	56.16	48.39	35.46
Total provisions	**581.08**	461.33	514.38	456.13	236.29
Collective provision for impairment expressed as a percentage of credit risk-weighted exposures (%)	**0.82**	0.70	0.75	0.79	0.88

17.5 Allowance for expected credit losses judgements and estimates

The ANZ Bank NZ Group measures the allowance for expected credit losses ("**ECL**") using an expected credit loss impairment model as required by NZ IFRS 9. The ANZ Bank NZ Group's accounting policy for the recognition and measurement of the allowance for ECL is described in Note 12 to the 2022 ANZ Bank NZ Financial Statements (attached as part of Annex A to this Offering Memorandum) which is consistent with that disclosed in the 2021 ANZ Bank NZ Financial Statements.

The global economy is facing challenges associated with high inflation, increasing interest rates, labor market constraints, and continuing geopolitical tensions which contributes to an elevated level of estimation uncertainty. This uncertainty is reflected in the ANZ Bank NZ Group's assessment of expected credit losses, which are subject to a number of management judgements and estimates.

Collectively assessed allowance for ECL

In estimating collectively assessed ECL, the ANZ Bank NZ Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. ANZ Bank NZ Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

The following table summarizes the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the half year ended March 31, 2023.

Judgement / assumption	Description	Considerations for the six months ended March 31, 2023
Determining when a Significant Increase in Credit Risk ("**SICR**") has occurred or reversed	In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The ANZ Bank NZ Group monitors the effectiveness of SICR criteria on an ongoing basis.	ANZ Bank NZ Group has continued to adjust ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, elevated inflation and labor market pressures.
Measuring both 12-month and lifetime credit losses	The probability of default ("**PD**"), loss given default ("**LGD**"), and exposure at default ("**EAD**") factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity. In addition, judgement is required where behavioral characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	The PD, LGD and EAD models are subject to the ANZ Bank NZ Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality. There were no material changes to the policies.
Base case economic forecast	The ANZ Bank NZ Group derives a forward-looking "base case" economic scenario which reflects the ANZ Bank NZ Group's view of future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs. As at March 31, 2023, the base case assumptions have been updated to reflect elevated inflation, continuing high interest rates, continued cost of living pressures and tightness in the labor market. The expected outcomes of key economic drivers for the base case scenario as at March 31, 2023, are described

Judgement / assumption	Description	Considerations for the six months ended March 31, 2023
		below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	The probability weightings for each scenario remained unchanged from September 30, 2022. Weightings for current and prior periods are as detailed in the section below under the heading on "Probability weightings".
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.	Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates. In addition, management overlays have been made for risks particular to business banking. Management temporary adjustments total NZ$171 million (September 30, 2022: NZ$169 million).

(1) The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of the ANZ Bank NZ Group's view of future macroeconomic conditions, used at March 31, 2023 are set out below. For years beyond the near term forecasts below, the ECL models apply simplified assumptions for the economy to calculate lifetime loss.

	Actual calendar year	Forecast calendar year	
New Zealand	**2022**	**2023**	**2024**
Gross domestic product (GDP) (annual % change)	2.8%	1.4%	-0.1%
Unemployment rate	3.3%	3.9%	5.2%
Residential property prices (annual % change)	-13.0%	-9.7%	2.2%
Consumer price index (CPI) (annual % change)	7.2%	6.1%	2.9%

The base case economic forecasts are for a continuing slowdown in economic activity. Continued high inflation and tight labor markets are expected to keep interest rates high and dampen growth over the forecast period.

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

Scenario weightings remain the same as those applied in September, 2022, as noted in the table below.

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The ANZ Bank NZ Group considers these weightings to provide estimates of the possible loss outcomes taking into account short and long term inter-relationships within the ANZ Bank NZ Group's credit portfolios. The weightings applied are set out below:

	March 31, 2023	September 30, 2022
Base	45.0%	45.0%
Upside	0.0%	0.0%
Downside	40.0%	40.0%
Severe downside	15.0%	15.0%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the ANZ Bank NZ Group should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of the ANZ Bank NZ Group's allowance for collectively assessed ECL to key factors used in determining it as at March 31, 2023:

	Balance Sheet NZ$ millions	(Profit) and Loss Impact NZ$ millions
If 1% of Stage 1 facilities were included in Stage 2	778	11
If 1% of Stage 2 facilities were included in Stage 1	766	(1)
100 % upside scenario	182	(585)
100 % base scenario	310	(458)
100 % downside scenario	598	(170)
100 % severe downside scenario	1,453	686

Individually assessed allowance for ECL

In estimating individually assessed ECL, the ANZ Bank NZ Group makes judgements and assumptions in relation to expected repayments, the realizable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect among other things, the continuing uncertainties described above.

17.6 Credit risk concentration

The following table presents total lending risk by industry, including impaired assets, specific provisions and write-offs:

Analysis of total lending by industry sector is based on Australian and New Zealand Standard Industrial Classification ("**ANZSIC**") codes. The presentation of this table aligns with the classifications in the data series *"S34 – Banks: Assets – Loans by industry"* published by the RBNZ. This series uses ANZSIC 2006 industry classifications.

	As at March 31, 2023					
	Total lending NZ$m	Impaired assets NZ$m	Specific provision NZ$m	Write-offs NZ$m	Recoveries NZ$m	Net write-off NZ$m
Agriculture	15,422	27	4	1	-	1
Forestry and fishing, agriculture services	585	4	2	-	-	-
Manufacturing	2,711	9	6	-	-	-
Electricity, gas, water and waste services	804	-	-	-	-	-
Construction	1,245	3	2	-	-	-
Wholesale trade	1,628	4	3	-	1	(1)
Retail trade and accommodation	2,737	11	7	1	-	1
Transport, postal and warehousing	899	-	-	-	-	-
Finance and insurance services	1,071	1	-	1	-	1
Public administration and safety	212	-	-	-	-	-
Rental, hiring & real estate services	38,076	53	46	1	-	1
Professional, scientific, technical, administrative and support services	903	6	3	-	-	-
Households	78,237	15	5	12	4	8
Other	2,985	15	15	-	-	-
Total lending	**147,515**	**148**	**93**	**16**	**5**	**11**

	As at September 30, 2022					
	Total lending NZ$m	Impaired assets NZ$m	Specific provision NZ$m	Write-offs NZ$m	Recoveries NZ$m	Net write-off NZ$m
Agriculture	15,616	32	6	-	24	(24)
Forestry and fishing, agriculture services	624	5	2	-	-	-
Manufacturing	2,591	9	7	-	-	-
Electricity, gas, water and waste services	810	-	-	-	-	-
Construction	1,235	5	3	1	-	1
Wholesale trade	1,542	1	1	2	-	2
Retail trade and accommodation	2,713	8	6	1	-	1
Transport, postal and warehousing	993	1	1	-	-	-
Finance and insurance services	1,075	1	-	6	-	6
Public administration and safety	199	-	-	-	-	-
Rental, hiring & real estate services	38,797	55	34	-	-	-
Professional, scientific, technical, administrative and support services	880	7	4	1	-	1
Households	77,350	9	3	25	13	12
Other	2,887	13	15	1	-	1
Total lending	**147,312**	**146**	**82**	**37**	**37**	**-**

17.7 Total credit provisions by industry

The following table presents a breakdown by category of ANZ Bank NZ's total provisions for doubtful debts on loans and receivables:

	As at March 31, 2023		As at September 30, 2022	
	NZ$m	%	NZ$m	%
Collective provision	**767**	**89**	669	89
Agriculture	**4**	**1**	6	1
Forestry and fishing, agriculture services	**2**	**-**	2	-
Manufacturing	**6**	**1**	7	1
Electricity, gas, water and waste services	**-**	**-**	-	-
Construction	**2**	**-**	3	-
Wholesale trade	**3**	**-**	1	-
Retail trade and accommodation	**7**	**1**	6	1
Transport, postal and warehousing	**-**	**-**	1	-
Finance and insurance services	**-**	**-**	-	-
Public administration and safety	**-**	**-**	-	-
Rental, hiring & real estate services	**46**	**5**	34	5
Professional, scientific, technical, administrative and support services	**3**	**-**	4	1
Households	**5**	**1**	3	-
Other	**15**	**2**	15	2
Total provisions	**860**	**100**	751	100

17.8 Net movement in provision by industry category

The following table presents details of ANZ Bank NZ's net movement in provision by industry category for the periods indicated.

	As at March 31,		As at September 30,		
	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Collective provision	**98**	(16)	37	(93)	291
Agriculture	**(1)**	(19)	(38)	(28)	22
Forestry and fishing, agriculture services	**-**	-	-	2	-
Manufacturing	**(1)**	(4)	-	(1)	5
Construction	**(1)**	-	2	-	3
Wholesale trade	**1**	-	-	-	-
Retail trade and accommodation	**2**	(2)	(2)	(4)	13
Transport, postal and warehousing	**-**	(2)	(2)	1	4
Finance and insurance services	**-**	-	-	(1)	1
Rental, hiring & real estate services	**13**	21	30	-	1
Professional, scientific, technical, administrative and support services	**-**	-	(3)	(1)	10
Households	**9**	7	12	14	40
Other	**1**	(5)	3	(3)	13
Net movement in provisions	**121**	(20)	39	(114)	403

17.9 Individual provisions as a result of bad debt write-offs by industry category

The following table presents details of ANZ Bank NZ's reversal of individual provisions as a result of bad debt write-offs by industry category for the periods indicated.

	As at March 31		As at September 30		
	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Agriculture	**(1)**	-	-	(8)	(5)
Electricity, gas, water and waste services	**-**	-	-	-	(1)
Construction	**-**	(1)	(1)	(1)	-
Wholesale trade	**-**	-	(2)	-	-
Retail trade and accommodation	**(1)**	(1)	(1)	(5)	(1)
Transport, postal and warehousing	**-**	-	-	-	(1)
Finance and insurance services	**(1)**	-	(6)	-	(25)
Rental, hiring and real estate services	**(1)**	-	-	(1)	-
Professional, scientific, technical, administrative and support services	**-**	-	(1)	-	(2)
Households	**(12)**	(13)	(25)	(32)	(57)
Other	**-**	-	(1)	-	-
Total reversal of individual provisions	**(16)**	(15)	(37)	(47)	(92)

17.10 Mortgagee sales

Under New Zealand property law, holders of registered mortgages are able to exercise their right of power of sale when the customer has breached the terms of their loan or mortgage. Before any mortgagee sale can be initiated, a notice under the Property Law Act 2007 ("**PLA Notice**") must be issued. The PLA Notice is the formal legal notice of default and advises the customer that unless ANZ Bank NZ is repaid in full by a set date then ANZ Bank NZ may exercise its right of power of sale.

The table below presents the actual PLA Notices issued and mortgagee sales concluded from January 2020 to March 2023.

	2020											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
PLA issued	7	9	3	-	-	-	-	-	-	-	-	-
Mortgagee sales concluded	2	-	1	-	-	-	-	-	-	-	-	-

	2021											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
PLA issued	-	-	1	4	2	2	5	4	-	-	-	-
Mortgagee sales concluded	-	-	-	-	-	1	-	1	1	-	-	-

	2022											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
PLA issued	-	-	-	-	1	1	1	6	2	**1**	**1**	**-**
Mortgagee sales concluded	-	-	-	-	-	-	-	3	-	**2**	**1**	**-**

	2023											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
PLA issued	**-**	**-**	**1**									
Mortgagee sales concluded	**1**	**1**	**-**									

18. LIQUIDITY AND FUNDING

18.1 Capitalization and funding of the ANZ Bank NZ Group

	As at March 31			As at September 30		
	2023 US$m[1]	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Customer deposits and other liabilities						
Term deposits	**31,876**	**50,831**	41,890	46,746	40,668	50,069
On demand and short term deposits	**37,709**	**60,133**	64,119	62,203	62,648	53,910
Deposits not bearing interest	**12,124**	**19,334**	23,362	21,381	21,813	16,884
Customer deposits	**81,710**	**130,298**	129,371	130,330	125,129	120,863
Other funding liabilities[2]	**8,625**	**13,754**	16,235	23,331	13,821	15,069
Total deposits and other funding liabilities	**90,335**	**144,052**	145,606	153,661	138,950	135,932
Wholesale funding						
Debt issuances[3]	**11,719**	**18,688**	19,097	21,023	21,502	24,439
Certificates of deposit	**932**	**1,487**	2,171	1,639	1,875	1,782
Commercial paper	**1,738**	**2,771**	4,892	2,955	4,433	1,748
Other wholesale borrowings[4]	**3,052**	**4,867**	2,270	4,718	1,702	668
Total wholesale funding	**17,442**	**27,813**	28,430	30,335	29,512	28,637
Total equity	**11,213**	**17,880**	17,028	17,784	16,892	15,869
Total capitalization and funding	**118,989**	**189,745**	191,064	201,780	185,354	180,438

(1) For the convenience of the reader, the financial information for the financial year ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Includes settlement balances payable, collateral received, derivative financial instruments, payables and other liabilities, other provisions and current tax provisions.
(3) Includes amount of all outstanding unsubordinated debt (including senior debt and covered bonds) and subordinated debt at the end of the reported financial period.
(4) Includes securities sold under repurchase agreements and deposits from immediate parent company and NZ Branch.

ANZ Bank NZ is required to meet RBNZ liquidity requirements as defined in the Conditions of Registration sections 13 and 14. For further discussion of these requirements, see *"Supervision and Regulation*—Conditions of Registration for ANZ Bank New Zealand Limited". Also, as a material subsidiary of ANZBGL, ANZ Bank NZ is required to meet the Basel III liquidity coverage ratio as specified by APRA. The objective of the liquidity coverage ratio is to ensure that an ADI maintains an adequate level of unencumbered high quality liquid assets that can be readily converted into cash to meet its liquidity needs for a 30 calendar day time period under a severe stress scenario. ANZ Bank NZ strictly observes its prudential obligations in relation to liquidity and funding risk as required by RBNZ's Conditions of Registration and APRA.

ANZ Bank NZ's liquidity policies are designed to ensure that it maintains sufficient cash balances and liquid asset holdings to meet its obligations as they fall due, in both ordinary market conditions and during periods of stress. These obligations include the repayment of deposits on-demand or at their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, the payment of dividends to shareholders, and the ability to fund new and existing loan and contractual commitments.

ANZ Bank NZ's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis.

Liquid assets are defined by the willingness of the RBNZ to accept them as collateral.

ANZ Bank NZ's principal sources of liquidity are:

- the maturity of marketable securities;
- interest and principal repayments received from customer loans;
- customer deposits;
- proceeds from bonds, notes, and subordinated debt issues;
- fee income;
- interest and dividends from investments;
- security repurchase agreements with the RBNZ; and
- related party loans and asset sales, particularly involving the New Zealand branch of ANZBGL.

Developments in major offshore markets can adversely affect liquidity in short and/or long term global capital markets. Although these events may be unrelated to events in New Zealand, ANZ Bank NZ can be exposed to them due to its requirement to fund regularly in the offshore market. While ANZ Bank NZ has continued to fund in both short and long term markets at costs prevailing at the time, it has taken a number of actions to manage its short and long term funding risks effectively, including:

- increasing minimum holdings of liquid assets to improve its ability to manage periods of market illiquidity;
- As at March 31, 2023, ANZ Bank NZ held NZ$16,384 million of securities, which could be used for repurchase transactions with the RBNZ (September 30, 2022: NZ$18,173 million);

- establishing an “in-house” RMBS structure to generate securities that meet the RBNZ criteria for eligible collateral for repurchase transactions, which significantly increases ANZ Bank NZ's funding ability from the RBNZ. As at March 31, 2023, ANZ Bank NZ held eligible RMBS collateral which could be used for repurchase transactions with the RBNZ generating NZ$10,613 million of funding (September 30, 2022: NZ$10,800 million);
- ensuring that the impact of increased funding costs is passed on to its businesses, which is reflected in pricing to customers;
- actively managing its maturity profile in line with its established policies and the RBNZ liquidity policy. For example, the CFR is derived from customer deposits, as determined by the RBNZ, plus eligible term debt, plus tier 1 capital divided by Total Loans and Advances; and
- the assets of the ANZNZ Covered Bond Trust, are made up of certain housing loans and related securities originated by ANZ Bank NZ and which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust of issuances of covered bonds by ANZ Bank NZ or ANZNIL from time to time. As at March 31, 2023, ANZNIL has on issue covered bonds with a face value of €2,500 million (September 30, 2022: €2,500 million). As at March 31, 2023, the ANZNZ Covered Bond Trust held NZ$9.8 billion of assets (September 30, 2022: NZ$10.9 billion).

Internal RMBS securitization

The RBNZ includes RMBS that satisfy criteria as acceptable collateral that banks can pledge and borrow against as part of its liquidity management arrangements designed to help ensure adequate liquidity for New Zealand financial institutions in the event of market disruption. ANZ Bank NZ has an in-house RMBS facility that issues securities meeting the RBNZ criteria. The facility provides part of ANZ Bank NZ’s funding capability from the RBNZ. It also resulted in ANZ Bank NZ’s financial statements recognizing a payable and receivable of equal amount totaling NZ$19,082 million as at March 31, 2023 (September 30, 2022: NZ$18,018 million), to Kingfisher NZ Trust 2008-1, a consolidated entity. ANZ Bank NZ’s consolidated financial statements did not change as a result of establishing this facility.

18.2 Capitalization and funding of ANZNIL

The following table presents the capitalization and funding of ANZNIL as at March 31, 2023, and has been extracted from the ANZNIL Financial Statements, included as part of Annex A-1 to this Offering Memorandum.

	As at March 31			As at September 30		
	2023 US$m[1]	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Wholesale funding						
Debt issuances[2]	**9,894**	**15,778**	15,480	17,772	16,771	18,875
Commercial paper	**1,736**	**2,769**	4,899	2,964	4,432	1,747
Total wholesale funding	**11,631**	**18,547**	20,379	20,736	21,203	20,622
Other funding liabilities[3]	**1**	**2**	2	1	1	21
Total equity	**13**	**20**	15	15	14	6
Total capitalization and funding	**11,645**	**18,569**	20,396	20,752	21,218	20,649

(1) For the convenience of the reader, the financial information for the financial year ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Includes amount of all outstanding unsubordinated debt (including senior debt and covered bonds) at the end of the reported financial period.
(3) Includes payables and other liabilities, and net tax provisions.

18.3 Funding

The following table presents the ANZ Bank NZ Group's funding for the dates indicated.

	As at March 31			As at September 30		
	2023 US$m[1]	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Deposits and short-term borrowings						
Unsecured						
Customer deposits	**81,710**	**130,298**	129,371	130,330	125,129	120,863
Certificates of deposit	**932**	**1,487**	2,171	1,639	1,875	1,782
Commercial paper	**1,738**	**2,771**	4,892	2,955	4,433	1,748
Other deposits and borrowings	**53**	**85**	44	76	39	22
Total unsecured deposits and short-term borrowings	**84,433**	**134,641**	136,478	135,000	131,476	124,415
Secured						
Securities sold under agreements to repurchase	**804**	**1,282**	426	1,842	363	646
Total secured deposits and short-term borrowings	**804**	**1,282**	426	1,842	363	646
Debt issuances and long-term borrowings						
Unsecured						
Domestic	**2,027**	**3,233**	3,416	3,735	4,494	4,921
Offshore	**7,089**	**11,304**	11,708	13,206	12,760	14,996
Total unsecured debt issuances and long-term borrowings	**9,116**	**14,537**	15,124	16,941	17,254	19,917
Secured						
Offshore - covered bonds	**2,603**	**4,151**	3,973	4,082	4,248	4,522
Securities sold under agreements to repurchase[2]	**2,195**	**3,500**	1,800	2,800	1,300	-
Total secured debt issuances and long-term borrowings	**4,798**	**7,651**	5,773	6,882	5,548	4,522
Total customer deposits and wholesale funding	**99,151**	**158,111**	157,801	160,665	154,641	149,500
Represented by:						
Customer deposits	**81,710**	**130,298**	129,371	130,330	125,129	120,863
Wholesale	**17,442**	**27,813**	28,430	30,335	29,512	28,637
Total	**99,151**	**158,111**	157,801	160,665	154,641	149,500

(1) For the convenience of the reader, the financial information for the financial year ended March 31, 2023 has been translated from NZ dollars into U.S. dollars using the Noon Buying Rate for March 31, 2023 of NZ$1.00=US$0.6271.
(2) Comprises amounts drawn under the RBNZ's Term Lending Facility and FLP.

Funding programs

ANZ Bank NZ's current borrowing programs as at March 31, 2023, other than borrowings from ANZBGL, are summarized in the table below.

Active borrowing programs	Program size (millions)	Amount outstanding (millions)	Issuing entity	Principal market	Governing law
Under this Offering Memorandum					
U.S. Medium-Term Notes - senior		**US$4,500**	ANZ Bank NZ and ANZNIL[1]	Offshore U.S. based	New York
U.S. Medium-Term Notes - subordinated		**US$500**	ANZ Bank NZ	Offshore U.S. based	New York
U.S. Medium-Term Notes - total	US$10,000 in aggregate	**US$5,000**			
Other borrowings					
Euro Commercial Paper - short term	US$10,000	**US$-**	ANZNIL[1]	Offshore non-U.S. based	English
U.S. Commercial Paper - short term	US$10,000	**US$1,755**	ANZNIL[1]	Offshore U.S. based	New York
Domestic registered certificates of deposit	Unlimited	**NZ$1,487**	ANZ Bank NZ	On shore	New Zealand
Domestic senior medium-term notes	Unlimited	**NZ$1,700**	ANZ Bank NZ	On shore	New Zealand
Domestic subordinated medium-term notes	Unlimited	**NZ$600**	ANZ Bank NZ	On shore	New Zealand
Euro medium-term notes	US$10,000	**US$2,687**	ANZ Bank NZ and ANZNIL[1]	Offshore non-U.S. based	English
ANZNZ Covered Bonds	€8,000	**€2,500**	ANZ Bank NZ and ANZNIL[1, 2]	Offshore	English

(1) Borrowing obligations guaranteed by ANZ Bank NZ.
(2) Borrowing obligations guaranteed by ANZ Bank NZ and ANZNZ Covered Bond Trust Limited. Currently, ANZNIL has on issue covered bonds with a face value of €2,500 million.

Debt issuances maturity profile

The following table presents an analysis of ANZ Bank NZ's contractual cash obligations in respect of subordinated and unsubordinated debt issuances as at March 31, 2023. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables differ from those represented in the balance sheet.

	As at March 31, 2023			
	Due within 1 year NZ$m	Due between 1 and 5 years NZ$m	Due beyond 5 years NZ$m	Total NZ$m
Unsubordinated debt	6,128	10,116	2,211	18,455
Subordinated debt[1]	62	2,498	-	2,560
Total debt issuances maturity	**6,190**	**12,614**	**2,211**	**21,015**

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

Wholesale funding maturities

As at March 31, 2023, maturities of the ANZ Bank NZ Group's total wholesale funding were as follows.

	As at March 31, 2023				
	Extend 1 year or less NZ$m	After 1 year through 5 years NZ$m	After 5 years through 10 years NZ$m	No maturity specified NZ$m	Total NZ$m
NZ$ subordinated notes[1]	-	1,533	-	-	1,533
US$ subordinated notes[1]	-	765	-	-	765
Euro fixed rate notes	2,971	3,120	700	-	6,791
A$ fixed rate notes	-	42	-	-	42
NZ$ fixed rate notes	1,200	500	-	-	1,700
US$ fixed rate notes	1,164	3,691	1,120	-	5,975
US$ floating rate notes	32	795	-	-	827
CHF fixed rate notes	387	668	-	-	1,055
US$ Commercial Paper	2,771	-	-	-	2,771
Registered certificates of deposit	1,487	-	-	-	1,487
Other wholesale borrowings	4,867	-	-	-	4,867
Total wholesale funding	**14,879**	**11,114**	**1,820**	**-**	**27,813**

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

ANZ Bank NZ's liquidity policies are adopted by ANZ Bank NZ's Board to ensure that it has sufficient funds available to meet all its known and potential commitments and to meet its regulatory obligations.

Based on the level of resources within ANZ Bank NZ's businesses and its ability to access wholesale money markets and to issue debt securities should the need arise, ANZ Bank NZ considers that its overall liquidity is sufficient to meet its current obligations to customers, policyholders and bondholders. ANZ Bank NZ's business complies with the current minimum liquidity ratio requirements of the RBNZ.

Within ANZ Bank NZ's business, liquidity relates to ANZ Bank NZ's ability to make interest payments and to repay deposits. ANZ Bank NZ's current policy is to ensure that liquid assets and funding capabilities are sufficient to meet expected cash flows under different scenarios. ANZ Bank NZ's primary source of funding is from deposits, either on-demand or short-term deposits and term deposits. Although substantial portions of retail accounts are contractually repayable within one year, on-demand, or at short notice, customer deposit balances have traditionally provided a stable source of ANZ Bank NZ's core long-term funding.

ANZ Bank NZ also accesses the New Zealand and international debt capital markets under its various funding programs.

18.4 Credit Ratings

The cost and availability of ANZ Bank NZ's unsecured financing is influenced by credit ratings.

As at June 1, 2023, the credit ratings and rating outlooks for ANZ Bank NZ's short-term and long-term senior unsecured debt were as follows:

Credit rating agency	Short-term senior debt	Long-term senior debt	Outlook
S&P	A-1+	AA-	Stable
Moody's	P-1	A1	Stable
Fitch	F1	A+	Stable

As at June 1, 2023, the credit ratings and rating outlooks for ANZ Bank NZ's long-term subordinated unsecured debt were as follows:

Credit rating agency	Long-term subordinated debt	Outlook
S&P	A-	Stable
Moody's	A3	Stable

Credit ratings are neither a rating of securities nor a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

The ability to sell assets quickly is also an important source of ANZ Bank NZ's liquidity. ANZ Bank NZ holds sizeable balances of government securities and other debt securities which could be sold or are eligible as collateral for borrowing from the RBNZ to provide additional funding should the need arise.

19. CAPITAL ADEQUACY

19.1 Capital adequacy in New Zealand

The RBNZ imposes capital adequacy requirements on banks, the objective of which is to ensure that an adequate level of capital is maintained, thereby providing a buffer to absorb unanticipated losses from activities. The RBNZ's approach to assessing capital adequacy focuses on credit risk associated with the bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

The RBNZ has implemented the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions. The RBNZ also requires certain New Zealand-incorporated registered banks, including ANZ Bank NZ, to maintain a prudential capital buffer of 3.5% (increased from 2.5% in July 2022) above the minimum ratios or face restrictions on distributions. This prudential capital buffer will progressively increase to 9% of RWA from July 2022 to July 2028.

ANZ Bank NZ is accredited by the RBNZ to use the IRB approach for calculating capital adequacy ratios, except for Operational Risk Capital, which is calculated using a standardized approach.

Regulatory capital

Regulatory capital comprises CET1 capital, AT1 capital (together, "**Tier 1 capital**") and Tier 2 capital. Each category of capital is calculated net of associated regulatory adjustments. The resultant amount of capital forms the total capital base.

CET1 capital includes eligible paid-up ordinary shares, share premium, retained earnings (net of appropriations), accumulated other comprehensive income and other reserves (other than asset revaluation reserves), and minority interests less various prescribed regulatory deduction adjustments including goodwill.

AT1 capital includes eligible perpetual preference shares (which may be redeemable) and Tier 2 capital includes eligible subordinated long-term debt.

New Zealand banks are required to maintain a minimum ratio of total capital to total risk weighted exposures of 8%, of which a minimum of 6% must be held in Tier 1 capital and 4.5% must be held in CET1 capital. The numerator of the ratio is the capital base. The denominator of the ratio is total risk weighted exposures.

Where a capital adequacy ratio falls below its minimum ratio plus a buffer ratio of 3.5% (increased from 2.5% in July 2022) of risk-weighted assets, ANZ Bank NZ must limit any distributions payable to holders of AT1 capital instruments in accordance with its Conditions of Registration.

The RBNZ has released new bank capital adequacy requirements for registered banks in New Zealand, which are set out in the BPR documents. See "Supervision and Regulation—RBNZ review of capital requirements" for further discussion.

19.2 ICAAP

ANZ Bank NZ's ICAAP incorporates overall capital policies and objectives, capital management policies and plans, allocation of capital to business units and stress testing of both risk and capital positions.

ANZ Bank NZ's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of ANZ Bank NZ's capital position; and
- ensure that the capital base supports ANZ Bank NZ's risk appetite, and strategic business objectives, in an efficient and effective manner.

ANZ Bank NZ's Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes setting, monitoring and obtaining assurance for ANZ Bank NZ's ICAAP policy and framework, standardized risk definitions for all material risks, materiality thresholds, capital adequacy targets and risk appetite.

ANZ Bank NZ has minimum and trigger levels for CET1, Tier 1 and total capital to ensure sufficient capital is maintained to:

- meet minimum prudential requirements as defined in ANZ Bank NZ's Conditions of Registration; and
- ensure consistency with ANZ Bank NZ's overall risk profile and financial positions, taking into account its strategic focus and business plan.

ANZ Bank NZ's Asset & Liability Committee ("**ALCO**") is responsible for developing, implementing and maintaining ANZ Bank NZ's ICAAP framework including on-going monitoring, reporting and compliance.

ANZ Bank NZ's ICAAP is subject to independent and periodic review.

ANZ Bank NZ has complied with all RBNZ minimum levels of capital requirements as required by ANZ Bank NZ's Conditions of Registration during the current and comparative periods.

19.3 ANZ Bank NZ's capitalization

ANZ Bank NZ's Conditions of Registration, set by the RBNZ, specify the minimum capital requirements with which ANZ Bank NZ must comply. The Conditions of Registration require capital adequacy ratios for ANZ Bank NZ Group to be calculated in accordance with BPR documents (from October 1, 2021) that are referred to in the capital adequacy conditions 1 to 1D.

The following table provides details of ANZ Bank NZ Group's CET1, Tier 1 and Tier 2 capital position as at March 31, 2023, March 31, 2022 and September 30, 2022.

Capital ratios	**RBNZ**		**As at March 31,**	**As at September 30,**
	Minimum	**2023**	**2022**	**2022**
	%	**%**	**%**	**%**
Common equity tier 1 capital	4.5	**12.2**	12.4	12.4
Tier 1 capital	6.0	**13.8**	14.5	15.0
Total capital	8.0	**15.2**	15.1	16.4
Prudential capital buffer ratio	3.5	**7.2**	7.1	7.9

Capital of ANZ Bank NZ Group		**As at March 31,**	**As at September 30,**
	2023	**2022**	**2022**
	NZ$m	**NZ$m**	**NZ$m**
Tier 1 capital			
Common equity tier 1 capital			
Paid up ordinary shares issued by ANZ Bank NZ	**11,588**	11,588	11,588
Retained earnings (net of appropriations)	**5,416**	5,133	5,291
Accumulated other comprehensive income and other disclosed reserves	**19**	7	48
Less deductions from common equity tier 1 capital			
Goodwill and intangible assets, net of associated deferred tax liabilities	**(3,096)**	(3,103)	(3,099)
Deferred tax assets less deferred tax liabilities relating to temporary differences	**(378)**	(353)	(386)
Cash flow hedge reserve	**(26)**	15	(26)
Defined benefit superannuation plan surplus	**(15)**	(8)	(15)
Expected losses to extent greater than total eligible allowances for impairment	**(42)**	(62)	(63)
Common equity tier 1 capital	**13,466**	13,217	13,338
Additional tier 1 capital			
Preference shares	**550**	-	550
Transitional additional tier 1 capital			
NZ$300m preference shares	**300**	300	300
ANZ Capital Notes	**938**	1,941	1,941
Additional tier 1 capital	**1,788**	2,241	2,791
Total tier 1 capital	**15,254**	15,458	16,129
Tier 2 capital			
NZD 600m subordinated notes	**600**	600	600
USD 500m subordinated notes	**796**	-	875
Eligible impairment allowance in excess of expected loss	**125**	4	87
Tier 2 capital	**1,521**	604	1,562
Total capital	**16,775**	16,062	17,691

Transitional AT1 capital instruments

Certain instruments issued by the Bank qualify as transitional AT1 capital instruments and are subject to phase-out under BPR110. Fixing the base at the aggregate nominal amount of such instruments outstanding as at September 30, 2021 (NZ$2,741 million), their aggregate recognition is capped at 75% from January 1, 2023; 62.5% from January 1, 2024; 50% from January 1, 2025; 37.5% from January 1, 2026; 25% from January 1, 2027; 12.5% from January 1, 2028; and from July 1, 2028 onwards these instruments will not be included in regulatory capital.

19.4 Risk weighted assets

Risk weighted exposures

Credit risk exposures subject to the IRB approach

Under the IRB approach, banks use their own internal risk measures, subject to certain RBNZ impositions, for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

- PD – an estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring;
- EAD – the expected facility exposure at default; and
- LGD – an estimate of the potential economic loss on a credit exposure, incurred as a result of obligor default and expressed as a percentage of the facility's EAD. For retail mortgage exposures, New Zealand banks apply downturn LGDs according to LVR prescribed bands as set out in BPR133. For Farm Lending, ANZ Bank NZ has adopted RBNZ prescribed LVR based downturn LGDs along with a minimum maturity of 2.5 years and the removal of the firm size adjustment.

Credit exposures (both on and off-balance sheet) are allocated to an asset class (sovereign, bank, corporate, retail mortgage and other retail) depending on borrower type. Corporate, retail mortgage and other retail exposures are risk-weighted using an IRB bank's internal models.

Since January 1, 2022, New Zealand IRB banks are required to apply an output floor to RWA that equates to 85% of the RWA calculated under the standardized approach.

Since October 1, 2022, New Zealand IRB banks are required to apply a scalar of 1.2 for exposures subject to the IRB and slotting approaches (1.06 for periods September 30, 2022 and prior), and 1.0 for exposures subject to the standardized approach (1.06 for periods September 30, 2022 and prior).

Specialized lending exposures subject to the slotting approach

Banks use slotting tables prescribed by the RBNZ rather than internal estimates to determine risk weighted exposures for exposures classified under Specialized lending.

Exposures subject to the standardized approach

RWA for the following are calculated using the standardized approach set out in BPR131:

- Sovereign and bank exposure classes (as required by RBNZ from January 1, 2022); and
- Two minor portfolios where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate.

In addition, equity exposures and other assets such as premises and equipment, cash and claims on the RBNZ are separately identified and risk weighted according to the requirements set out in the BPR documents.

Operational Risk

Banks are required to hold capital against operational risks associated with their business. ANZ Bank NZ uses the Standardized approach for determining its regulatory capital requirement for operational risk in accordance with BPR150.

Market Risk

Banks are required to hold capital against interest rate, foreign currency and equity risks (together, "**Market Risk**"). ANZ Bank NZ uses a standardized methodology for the calculation of Market Risk as prescribed by BPR140.

Total risk weighted exposures and capital requirements

	As at March 31, 2023			As at September 30, 2022		
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Exposures subject to IRB approach	**165,158**	**52,360**	**4,189**	167,215	47,109	3,769
Specialized lending exposures subject to slotting approach	**13,111**	**13,912**	**1,113**	13,843	11,872	950
Exposures subject to standardized approach	**35,008**	**4,357**	**349**	35,999	4,880	390
Credit risk supervisory adjustment[2]	**n/a**	**22,616**	**1,809**	n/a	19,727	1,578
Output floor balancing item	**n/a**	**-**	**-**	n/a	5,922	474
Total credit risk	**213,277**	**93,245**	**7,460**	217,057	89,510	7,161
Market risk	**n/a**	**5,605**	**448**	n/a	6,596	528
Operational risk	**n/a**	**11,565**	**925**	n/a	11,571	926
Total	**n/a**	**110,415**	**8,833**	n/a	107,677	8,615

(1) Risk-weighted exposures are calculated in accordance with the RBNZ's Capital Adequacy Framework, including the application of a scalar to credit risk-weighted exposures.

(2) The supervisory adjustment as at March 31, 2023 includes RWA of NZ$6,555 million (September 30, 2022: NZ$5,583 million) for corporate exposures and NZ$16,061 million (September 30, 2022: NZ$14,144 million) for residential mortgage exposures.

Exposures subject to the IRB approach

The following table presents ANZ Bank NZ's credit risk exposures under the IRB approach:

As at March 31, 2023	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[1] NZ$m	Minimum capital requirement NZ$m
Corporate	**1.25**	**139,409**	**45,115**	**39**	**46**	**24,973**	**1,998**
Residential mortgages	**0.95**	**112,292**	**112,888**	**18**	**16**	**21,268**	**1,701**
Other retail	**2.00**	**7,021**	**7,155**	**79**	**71**	**6,119**	**490**
Total	**1.08**	**258,722**	**165,158**	**26**	**26**	**52,360**	**4,189**
As at September 30, 2022							
Corporate	1.31	130,343	47,658	41	45	22,950	1,836
Residential mortgages	0.84	111,681	112,281	18	16	18,664	1,493
Other retail	1.94	7,139	7,276	79	71	5,495	440
Total	1.02	249,163	167,215	27	27	47,109	3,769

(1) Risk-weighted exposures are calculated, including the application of a scalar, in accordance with the RBNZ's Capital Adequacy Framework.

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

	As at March 31, 2023		As at September 30, 2022	
	Total value NZ$m	Exposure at default NZ$m	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet contingent liabilities				
Corporate	**12,133**	**11,451**	13,047	12,201
Residential mortgages	**9,273**	**9,723**	9,108	9,557
Other retail	**4,694**	**4,768**	4,796	4,872
Counterparty credit risk on derivatives and securities financing transactions				
Corporate	**94,495**	**1,292**	84,608	3,364
Total	**120,595**	**27,234**	111,559	29,994

Capital held for other material risks

In accordance with its Conditions of Registration, ANZ Bank NZ is also required to determine an internal capital allocation for other material risks not covered by regulatory capital requirements. The internal capital allocation for ANZ Bank NZ's other material risks as at March 31, 2023, was NZ$292 million (NZ$296 million as at September 30, 2022). The other material risks identified include fixed asset risk and deferred acquisition cost risk.

20. GOODWILL

As at March 31, 2023, the balance of goodwill recorded as an asset on the ANZ Bank NZ Group's balance sheet as a result of acquisitions was $3,006 million ($3,006 million as at September 30, 2022).

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. ANZ Bank NZ Group reassess the recoverability of the carrying value at each reporting date.

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the cash-generating units ("**CGUs**") to which goodwill is allocated are the ANZ Bank NZ Group's four revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19, and reflects expectations of future events that are believed to be reasonable under the circumstances. The rapidly evolving consequences of COVID-19 and government, business and consumer responses create heightened uncertainty in these estimates and any variations could have a positive or adverse impact on the determination of recoverable amounts.

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on December 1, 2003, and the carrying amount reflects amortization recognized before the application of NZ IFRS from October 1, 2004 and subsequent business disposals. Remaining other intangible assets, relating to funds management rights, have been assessed as having indefinite useful lives and arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ New Zealand Investments Holdings Limited) group on November 30, 2009.

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal ("**FVLCOD**") and its value-in use ("**VIU**"). We use a value-in-use approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated.

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, the impact of the restriction imposed by the RBNZ on the payment of ordinary dividends by all New Zealand-incorporated registered banks, and the implementation of the RBNZ's increased capital requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Further details about the assumptions and sensitivity testing performed is included in Note 19 to the 2022 ANZ Bank NZ Financial Statements.

21. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS

ANZ Bank NZ guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including ANZBGL. The risk arising 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 as for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The gross value of the instruments and facilities reflects the level of ANZ Bank NZ's activity in the various products and not the much smaller net risk exposure. As ANZ Bank NZ does not believe that any irrecoverable liability will arise from the settlement of these types of transactions, they are not recorded as on-balance sheet financial instruments.

ANZ Bank NZ does not disclose fair value information in respect of off-balance sheet financial instruments, other than derivatives, as it does not believe the estimated fair value is material. Under NZ IFRS, the fair value of derivatives is already reflected in the financial statements.

The face or contract values and credit equivalent amount for ANZ Bank NZ's off-balance sheet financial instruments are as follows:

	As at March 31,		As at September 30,		
	2023 NZ$m	2022 NZ$m	2022 NZ$m	2021 NZ$m	2020 NZ$m
Contract amount of:					
Credit related commitments					
Undrawn facilities	**26,402**	28,380	27,310	27,420	28,273
Guarantees and contingent liabilities					
Guarantees and letters of credit	**1,181**	1,187	1,225	1,181	1,309
Performance related contingencies	**1,648**	1,664	1,757	1,551	1,434

Off-balance sheet financial instruments

By their nature, ANZ Bank NZ's activities are principally related to the use of financial instruments including derivatives. ANZ Bank NZ accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn an interest margin by investing these funds in high quality assets. ANZ Bank NZ seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

ANZ Bank NZ also seeks to earn interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances; ANZ Bank NZ also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

22. ADDITIONAL FINANCIAL AND STATISTICAL INFORMATION

Presented below is additional financial and statistical information for the ANZ Bank NZ Group's business for the periods indicated. For additional information concerning the ANZ Bank NZ Group's financial results for the financial years ended September 30, 2022, 2021 and 2020, see "Operating and Financial Review" in this Offering Memorandum and the Disclosure Statements.

22.1 Average balance sheet and interest income/expense

The following table presents the major categories of interest earning assets and interest bearing liabilities and the respective interest rates that ANZ Bank NZ earned or paid for the periods indicated. Average balances have been calculated using monthly balances prepared on the same basis as balances included in the ANZ Bank NZ Financial Statements. Interest income figures include interest income on non-accrual loans to the extent cash payments in the nature of interest have been received. Non-accrual loans are included under the interest earning asset category "Net loans and advances".

	Years ended September 30,								
	2022			2021			2020		
	Average balance NZ$m	Interest NZ$m	Average rate %	Average balance NZ$m	Interest NZ$m	Average rate %	Average balance NZ$m	Interest NZ$m	Average rate %
Assets									
Interest earning assets									
Trading securities	**8,100**	**149**	**1.84**	10,014	106	1.06	10,626	148	1.39
Investment securities	**11,103**	**173**	**1.56**	11,739	139	1.18	7,533	143	1.90
Net loans and advances	**145,674**	**5,316**	**3.65**	137,668	4,330	3.15	135,172	5,234	3.87
Other interest earning financial assets	**11,110**	**173**	**1.56**	9,173	25	0.27	8,255	43	0.52
Total interest earning assets	**175,987**	**5,811**	**3.30**	168,594	4,600	2.73	161,586	5,568	3.45
Non-interest earning assets									
Provision for impairment	**(587)**	**-**	**-**	(639)	-	-	(597)	-	-
Property, plant and equipment	**482**	**-**	**-**	549	-	-	596	-	-
Other assets	**15,407**	**-**	**-**	16,151	-	-	15,810	-	-
Total non-interest earning assets	**15,302**	**-**	**-**	16,061	-	-	15,809	-	-
Total assets	**191,289**	**5,811**	**-**	184,655	4,600	-	177,395	5,568	-
Liabilities									
Interest bearing liabilities									
Term deposits[1]	**44,997**	**771**	**1.71**	45,586	580	1.27	53,806	1,366	2.54
Other deposits and borrowings	**65,751**	**481**	**0.73**	60,654	94	0.15	48,446	236	0.49
Commercial paper	**4,704**	**88**	**1.87**	3,669	22	0.60	3,473	30	0.86
	115,452	**1,340**	**1.16**	109,909	696	0.63	105,725	1,632	1.54
Unsubordinated debt	**17,383**	**476**	**2.74**	19,137	332	1.73	24,040	501	2.08
Subordinated debt	**2,775**	**158**	**5.69**	2,487	123	4.95	2,441	146	5.98
Other interest bearing financial liabilities	**4,176**	**61**	**1.46**	3,824	25	0.65	2,143	27	1.26
Total interest bearing liabilities	**139,786**	**2,035**	**1.46**	135,357	1,176	0.87	134,349	2,306	1.72
Non-interest bearing liabilities									
Other liabilities	**34,039**	**-**	**-**	32,770	-	-	27,865	-	-
Total non-interest bearing liabilities	**34,039**	**-**	**-**	32,770	-	-	27,865	-	-
Total liabilities	**173,825**	**2,035**	**-**	168,127	1,176	-	162,214	2,306	-
Net assets	**17,464**	**3,776**	**-**	16,528	3,424	-	15,181	3,262	-

(1) Term deposits include quoted rate term deposits, negotiable certificates of deposit and floating rate certificates of deposit.

22.2 Volume and rate analysis

The following table attributes variances in the ANZ Bank NZ Group's interest income and interest expense to changes in volume and rate for the financial year ended September 30, 2022, compared with the financial year ended September 30, 2021, and for the financial year ended September 30, 2021, compared with the financial year ended September 30, 2020. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Average balances have been calculated using monthly balances prepared on the same basis as balances included in the ANZ Bank NZ Financial Statements.

	Years ended September 30,					
	2022 v. 2021			2021 v. 2020		
	Increase / (decrease) due to:			Increase / (decrease) due to:		
	Change in volume NZ$m	Change in rate NZ$m	Net change NZ$m	Change in volume NZ$m	Change in rate NZ$m	Net change NZ$m
Interest earning assets						
Trading securities	**(20)**	**63**	**43**	(9)	(33)	(42)
Investment securities	**(8)**	**42**	**34**	80	(84)	(4)
Gross loans and advances	**252**	**734**	**986**	101	(1,005)	(904)
Other interest earning financial assets	**5**	**143**	**148**	4	(22)	(18)
Change in interest income	**229**	**982**	**1,211**	176	(1,144)	(968)
Interest bearing liabilities						
Term deposits	**(7)**	**198**	**191**	(209)	(577)	(786)
Other deposits and borrowings	**8**	**379**	**387**	59	(201)	(142)
Commercial paper	**6**	**60**	**66**	2	(10)	(8)
	7	**637**	**644**	(148)	(788)	(936)
Unsubordinated debt	**(30)**	**174**	**144**	(102)	(67)	(169)
Subordinated debt	**14**	**21**	**35**	3	(26)	(23)
Other interest bearing financial liabilities	**2**	**34**	**36**	21	(23)	(2)
Change in interest expense	**(7)**	**866**	**859**	(226)	(904)	(1,130)
Change in net interest income	**236**	**116**	**352**	402	(240)	162

22.3 Interest rate repricing

The interest rate sensitivity analysis of on-balance sheet financial assets and liabilities has been prepared on the basis of contractual maturity or next re-pricing date, whichever is the earlier, except where the contractual terms are not considered to be reflective of interest rate sensitivity, for example, those assets and liabilities priced at the ANZ Bank NZ Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Interest rate exposure is monitored by an independent function to ensure that aggregate risk is managed within ANZ Bank NZ's Board determined policy. The policy ensures that the ANZ Bank NZ Group is not exposed to unpalatable variations in economic value and net interest income due to interest rates. Simulation modelling and net gap analysis are undertaken, taking into account the projected change in asset and liability levels and mix. The aggregate interest rate exposure of the balance sheet, including net interest income at risk over the next two years, and the present value sensitivity of the net gap, are reviewed on a monthly basis, under various interest rate scenarios.

The ANZ Bank NZ Group's repricing "gap position" as at March 31, 2023, is presented in the following table:

	As at March 31, 2023						
	Total NZ$m	Up to 3 months NZ$m	3 to 6 months NZ$m	6 to 12 months NZ$m	1 to 2 years NZ$m	Over 2 years NZ$m	Non-interest bearing NZ$m
Financial assets							
Cash and cash equivalents	12,657	12,282	-	-	-	-	375
Settlement balances receivable	516	-	-	-	-	-	516
Collateral paid	576	576	-	-	-	-	-
Trading securities	5,657	1,088	208	60	292	4,009	-
Derivative financial instruments	6,354	-	-	-	-	-	6,354
Investment securities	11,211	202	397	479	306	9,826	1
Net loans and advances	147,154	62,831	16,461	26,617	31,800	10,107	(662)
Other financial assets	835	-	-	-	-	-	835
Total financial assets	184,960	76,979	17,066	27,156	32,398	23,942	7,419
Financial liabilities							
Settlement balances payable	3,410	1,963	-	-	-	-	1,447
Collateral received	1,056	1,056	-	-	-	-	-
Deposits and other borrowings	139,423	87,500	14,883	14,292	2,103	1,311	19,334
Derivative financial instruments	6,281	-	-	-	-	-	6,281
Debt issuances	18,688	2,213	1,765	3,226	1,874	9,610	-
Lease liabilities	207	12	11	23	43	118	-
Other financial liabilities	1,480	801	-	-	-	-	679
Total financial liabilities	170,545	93,545	16,659	17,541	4,020	11,039	27,741
Hedging instruments	-	7,783	6,801	1,239	(18,006)	2,183	-
Interest sensitivity gap	14,415	(8,783)	7,208	10,854	10,372	15,086	(20,322)

Board of Directors of ANZ Bank NZ

Composition of Board of Directors

At the date of this Offering Memorandum, the members of ANZ Bank NZ's Board are as follows:

Name	Age	Position
Rt Hon Sir John Key	61	Independent Non-Executive Director and Chair, ANZ Bank NZ and Independent Non-Executive Director, ANZBGL, ANZGHL, ANZ BH Pty Ltd and ANZ NBH Pty Ltd
Shayne Elliott	59	Non-Executive Director, ANZ Bank NZ and Executive Director and Chief Executive Officer, ANZBGL
Antonia Watson	53	Executive Director and Chief Executive Officer, ANZ Bank NZ and Group Executive, ANZBGL
Gerard Florian	57	Non-Executive Director and Group Executive, ANZBGL
Joan Withers	69	Independent Non-Executive Director
Alison Gerry	58	Independent Non-Executive Director
Scott St John	59	Independent Non-Executive Director
Mark Tume	62	Independent Non-Executive Director

For the purposes of this Offering Memorandum, the business address of each member of the Board is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand.

As at the date of this Offering Memorandum, no material conflicts of interest and no potential material conflicts of interest exist between any duties owed to ANZ Bank NZ by the members of the Board listed above and their private interests and/or other duties outside of the ANZ Bank NZ Group. ANZ Bank NZ has processes for the management of such conflicts of interest.

The Board of ANZ Bank NZ has adopted a Board Charter which sets out the Board's purpose, powers and responsibilities.

Rt Hon Sir John Key. Sir John Key was appointed as an independent Non-Executive Director of the Board of ANZ Bank NZ on October 18, 2017 and succeeded Mr. John Judge as Chair on January 1, 2018. Sir John brings considerable experience in international banking and knowledge of the Asia-Pacific region to the Board. Sir John Key was also appointed to the Board of Directors of ANZBGL on February 28, 2018. As a result of the Restructure, Sir John Key was appointed as an independent Non-Executive Director to the Boards of ANZGHL, ANZ BH Pty Ltd and ANZ NBH Pty Ltd on December 20, 2022. He is also a Director of Palo Alto Networks Inc., a member of the Zespri International Limited Advisory Board and an adviser to BHP Group Limited and Stonewood Key Capital Limited. Sir John Key was Prime Minister of New Zealand from 2008 to 2016 and has previously worked for Merrill Lynch and Bankers Trust New Zealand.

Shayne Elliott. Mr. Elliott was appointed as a Non-Executive Director of the Board of ANZ Bank NZ on August 11, 2009. Mr. Elliott was appointed Director and Chief Executive Officer of ANZBGL on January 1, 2016. As a result of the Restructure, Mr. Elliott was appointed to the Boards of Directors of ANZGHL, ANZ BH Pty Ltd and ANZ NBH Pty Ltd on December 20, 2022. He formerly held the following positions with ANZBGL: Chief Financial Officer from June 2012; Chief Financial Officer Designate from March 2012; and Chief Executive Officer, Institutional from June 2009 to March 2012. Before joining ANZBGL, Mr. Elliott spent more than 20 years at Citigroup and was Head of Business Development for EFG Hermes, the largest investment bank in the Middle East. Mr. Elliott is also a Director of the Financial Markets Foundation for Children and a member of the Australian Banking Association Council, the Business Council of Australia and the Australian Customs Advisory Board.

Antonia Watson. Ms. Watson was appointed as CEO and Executive Director of the Board of ANZ Bank NZ on December 18, 2019. Ms. Watson previously held roles as Managing Director, Retail & Business Banking and Chief Financial Officer of ANZ Bank NZ. Ms. Watson spent 13 years at Morgan Stanley, where she was General Manager of their business services and technology center in Budapest and held various Finance roles in Sydney and London. Ms. Watson is also a director of ANZ Holdings (New Zealand) Limited, a banking representative director of Banking Ombudsman Scheme Limited, a champion and member of the Governance Group of Champions for Change and is a member of the New Zealand Bankers Association's governing body.

Gerard Florian. Mr. Florian was appointed as a Non-Executive Director of the Board of ANZ Bank NZ on October 6, 2022. Mr. Florian is currently the Group Executive, Technology and Group Services of ANZBGL. Mr. Florian has also been a member of ANZ Group's International Technology and Digital Business Advisory Panel since it was established in 2015. Mr. Florian has worked in technology for more than 35 years, including executive roles at Dimension Data. Mr. Florian chairs the University of New South Wales Technology Advisory Committee and is Co–Chair of the Asia Pacific Technology Business Management Board.

Joan Withers. Mrs. Withers was appointed as an independent Non-Executive Director of the Board of ANZ Bank NZ on July 1, 2013. Mrs. Withers has an extensive career in management and governance roles in New Zealand, being the former Chair of Television New Zealand and Mercury NZ Limited, and former CEO of Fairfax Media and The Radio Network. Mrs. Withers is also the Chair of The Warehouse Group Limited and a Director of On Being Bold Limited, Origin Energy Limited and Sky Network Television Limited. Mrs. Withers has an MBA from the University of Auckland.

Alison Gerry. Ms. Gerry was appointed as an independent Non-Executive Director of the Board of ANZ Bank NZ on October 18, 2019. Ms. Gerry has extensive experience in the financial services and infrastructure sectors. In her executive career, Ms. Gerry worked for both corporates and for financial institutions in Australasia and London in trading, finance and risk roles. Ms. Gerry is a Chartered Fellow of the Institute of Directors. Ms. Gerry is Chair of Sharesies Limited and Infratil Limited. She is also a Director of Air New Zealand Limited and On Being Bold Limited.

Scott St John. Mr. St John was appointed as an independent Non-Executive Director of the Board of ANZ Bank NZ on July 6, 2021. Mr. St John was Chancellor of the University of Auckland from 2017 to June 2021 and was a member of the University Council since 2009. Previously, Mr. St John was a member of the Capital Markets Development Taskforce, the Financial Markets Authority Establishment Board and the Security Industry Association, which he chaired. Mr. St John is the current Chair of Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited. He is also a Director of Mercury NZ Limited and Fonterra Co-operative Group Limited.

Mark Tume. Mr. Tume was appointed as an independent Non-Executive Director of the Board of ANZ Bank NZ on January 1, 2023. Mr. Tume is also a director of Booster Financial Services Limited, Precinct Properties New Zealand Limited and Chair of Te Atiawa Iwi Holdings Management Limited. Mr. Tume's professional experience has been in banking and funds management. Over the past 20 years, he has held governance positions in Australia and New Zealand, predominantly in the infrastructure sector.

Remuneration of ANZ Bank NZ directors

The directors were paid an aggregate of $1,313,628, $1,263,884 and $1,231,965 in directors' fees for the financial years ended September 30, 2022, 2021 and 2020, respectively.

Related party transactions

As permitted under New Zealand law, ANZ Bank NZ extends loans to directors and executives. Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. For further information, refer to Note 26 of the 2022 ANZ Bank NZ Financial Statements.

Board of Directors of ANZNIL

At the date of this Offering Memorandum, the members of ANZNIL's Board of Directors are as follows:

Name	Age	Principal Outside Activities
Amanda Owen	50	Chief Financial Officer, ANZ Bank NZ and Director, ANZ Holdings (New Zealand) Limited
Christopher O'Neale	62	Managing Director of the New Zealand Branch of ANZBGL and Head of Asset and Liability Management, ANZ Bank NZ

For the purposes of this Offering Memorandum, the business address of each member of the Board of Directors of ANZNIL is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand.

As at the date of this Offering Memorandum, no material conflicts of interest and no potential material conflicts of interest exist between any duties owed to ANZNIL by the members of the Board listed above and their private interests and/or other duties outside of ANZNIL. ANZNIL has processes for the management of such conflicts of interest.

Board committees

To assist in the execution of its responsibilities, the ANZ Bank NZ Board has established committees, including an Audit Committee, a Human Resources Committee, a Risk Committee and a Conduct and Culture Committee, each with a charter, to assist and support the Board in the conduct of its duties and obligations. The Chair of the ANZ Bank NZ Board is an ex Officio member of each committee.

Audit Committee — The purpose of the Audit Committee is to assist the Board by ensuring the integrity of ANZ Bank NZ's financial controls, reporting systems and internal audit standards, and providing oversight, review and, where appropriate, constructive challenge of:

(a) the financial reporting principles and policies, controls, systems and procedures applicable to ANZ Bank NZ and its subsidiaries;

(b) compliance of ANZ Bank NZ and its subsidiaries with the financial reporting, prudential reporting and audit requirements of the ANZ Group;

(c) the effectiveness of ANZ Bank NZ's internal control and risk management framework;

(d) the work and internal audit standards of Internal Audit;

(e) the integrity of ANZ Bank NZ and its subsidiaries' financial statements and the independent audit thereof and compliance with relevant New Zealand legal and regulatory requirements thereof;

(f) any due diligence procedures; and

(g) prudential supervision procedures and other regulatory requirements to the extent relating to financial reporting.

In carrying out its responsibilities and duties, the Audit Committee will aim to seek fair customer outcomes and financial market integrity in its deliberations.

The current members of the Audit Committee are Ms. Gerry (Chair), Mrs. Withers, Mr. St John, Mr. Tume and Sir John Key.

Human Resources Committee — The purpose of the Human Resources Committee is to assist the Board in relation to performance and remuneration matters in accordance with the ANZ Bank NZ Performance and Remuneration Policy (as amended from time to time), including:

(a) the remuneration arrangements relating to the ANZ Bank NZ Chair and directors;

(b) the performance and remuneration arrangements for the ANZ Bank NZ CEO, senior management and risk and financial control roles; and

(c) the performance and remuneration arrangements of all other classes of persons employed by ANZ Bank NZ and its subsidiaries who are employing entities.

The Human Resources Committee will also assist the Board by reviewing and monitoring the conduct of ANZ Bank NZ with respect to human resources matters, including but not limited to workforce planning, the building of capabilities (including leadership, talent management and succession) and diversity.

The current members of the Human Resources Committee are Mrs. Withers (Chair), Mr. St John, Mr. Tume, Sir John Key, Ms. Gerry and Mr. Elliott.

Risk Committee — The purpose of the Risk Committee is to:

(a) assist the Board in the effective discharge of its responsibilities to exercise due care, diligence and skill in the oversight of business, market, credit, capital, financial, operational, compliance, liquidity and funding, insurance and reputation risk management;

(b) oversee management's implementation and maintenance of ANZ Bank NZ's risk and compliance management frameworks. This will enable an institution-wide view to be taken of ANZ Bank NZ's current and future risk position relative to its risk appetite and capital strength; and

(c) oversee compliance with ANZ Bank NZ's regulatory obligations.

The Risk Committee will aim to seek fair customer outcomes and financial market integrity when carrying out its duties.

The current members of the Risk Committee are Mr. St John (Chair), Mrs. Withers, Sir John Key, Mr. Tume and Ms. Gerry.

Conduct and Culture Committee — The purpose of the Conduct and Culture Committee is to assist the Board in relation to conduct and culture matters, including:

(a) actively encourage and promote good conduct and culture at ANZ Bank NZ;

(b) ensure ANZ Bank NZ's principles, policies, processes. systems and control frameworks (including product design and distribution) focus on continuing to achieve fair treatment of customers and good customer outcomes in line with the FMCIA Act and regulations, where relevant;

(c) oversee the effectiveness of ANZ Bank NZ's framework for managing poor conduct at ANZ Bank NZ;

(d) ensure ANZ Bank NZ implements appropriate action in response to legislation, regulatory reviews (including ANZ Bank NZ's response to the recommendations in the reports from the FMA and RBNZ review of conduct and culture in New Zealand retail banks and insurance companies, including (but not limited) to the 'Bank Conduct and Culture' industry report published on November 5, 2018; the ANZ Bank NZ specific report published on November 28, 2018; the 'Bank Incentive Structures' industry report published in November 2018; the ANZ Bank NZ specific report published on December 4, 2018; and ongoing FMA conduct and culture progress reports feedback letters) and industry guidance on conduct, culture and good customer outcomes;

(e) advise and assist the Steering Committee of the FMCIA Act Project to establish, implement and approve an effective fair conduct program as required by the FMCIA Act; and

(f) other matters relating to ANZ Bank NZ's customers and organizational culture.

In carrying out its responsibilities and duties, the Conduct and Culture Committee will aim to seek fair customer and community outcomes in its deliberations.

The current members of the Conduct and Culture Committee are Mr. Tume (Chair), Ms. Gerry, Mr. St John, Sir John Key, Mrs. Withers, Mr. Elliott, Mr. Florian and Ms. Watson.

Board practices

Currently, ANZ Bank NZ's Board consists of eight directors, five of whom are independent non-executive directors. The Board includes two executives of ANZBGL. Board composition is reviewed when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board.

Under ANZ Bank NZ's Conditions of Registration, no appointment of any director or chief executive officer or chair shall be made to the board unless a copy of the curriculum vitae of the proposed appointee has been provided to the RBNZ and the RBNZ has advised that it has no objection to the appointment. The Conditions of Registration require that the chair and at least half of the directors on the board be independent.

The Board collectively and each director individually has the right to seek independent professional advice at ANZ Bank NZ's expense.

In accordance with the Companies Act, directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with ANZ Bank NZ's own interests. A director who is interested in a transaction may attend meetings and vote on a matter relating to the transaction. However, the Board has adopted a guideline whereby a director with an interest in a transaction should not be present during any discussions, and should not vote on any matter pertaining to that particular transaction.

ANZ Bank NZ's constitution

ANZ Bank NZ's constitution is available online on the searchable register at https://companies-register.companiesoffice.govt.nz/. No information on that website forms part of or is incorporated by reference in this Offering Memorandum. Under ANZ Bank NZ's constitution, the Board holds all necessary powers for the management of the business and operation of the company. In particular, there are no restrictions in ANZ Bank NZ's constitution on ANZ Bank NZ borrowing or providing a guarantee.

The Board has the power to issue shares in different classes and on different terms and conditions. Under the constitution, the Board is expressly authorized to issue further shares ranking equally with, or in priority to, existing shares, whether as to voting rights or distributions or otherwise and such issue is not deemed to be an action affecting the rights attached to the existing shares. However, where ANZ Bank NZ takes action which affects the rights attached to shares (other than by way of issue of further shares ranking equally with, or in priority to, existing shares) such action must be approved by special resolution of each affected interest group. There are no restrictions in ANZ Bank NZ's constitution on changes in capital, rights to own securities or restrictions on foreign shareholders.

There is no shareholding qualification for directors of ANZ Bank NZ, and no mandatory retirement age. The Board has the power to fix each director's remuneration and ANZ Bank NZ shall indemnify every director or employee out of the assets of ANZ Bank NZ to the maximum extent permitted by law. Directors can be appointed and removed by ordinary resolution of the shareholders of ANZ Bank NZ, although the Board has the power at any time to also appoint directors.

Under the Companies Act, directors who are interested in a transaction of ANZ Bank NZ are required to disclose their interest. Failure to disclose this interest will not affect the validity of the transaction or the ability of the director to attend and vote at the relevant board meeting, but the director can be personally liable and if ANZ Bank NZ does not receive fair value under the transaction, the transaction may be voided within three months of its disclosure to all shareholders of ANZ Bank NZ.

In regard to shareholders, the power to:

(a) alter, revoke or adopt a new constitution,

(b) approve a major transaction, or

(c) approve an amalgamation, put ANZ Bank NZ into liquidation or apply for the removal of ANZ Bank NZ from the register of companies,

must be exercised by special resolution of the shareholders under the Companies Act. All other powers reserved to shareholders may be exercised by an ordinary resolution of shareholders. Resolutions can be passed at a meeting of shareholders or pursuant to a written resolution in lieu of a meeting.

Employees

All employees are located in New Zealand except for one employee located in ANZNIL's London branch. Full-time equivalent employees include employees that are employed on a full-time basis, part-time basis or that are on a fixed term contract, casual employees and independent contractors.

	As at March 31,		As at September 30,		
	2023	**2022**	**2022**	**2021**	**2020**
Number of full-time equivalent employees	**7,431**	7,213	7,473	7,210	7,491

Industrial Relations Developments

The large majority of ANZ Bank NZ employees are covered by individual employment agreements. ANZ Bank NZ's collective employment agreement with FirstUnion, which covers approximately 12% of New Zealand employees, was renewed effective from August 1, 2022 and expires on July 31, 2024. Management is not involved in any significant disputes with labor unions in New Zealand.

ANZGHL AND ANZBGL

The following information regarding the ANZ Bank NZ Group's ultimate parent company as at the date of this Offering Memorandum, ANZGHL, is presented solely for reference. Neither ANZGHL nor ANZBGL is providing a guarantee or any other type of credit support of the Notes.

Overview

The ANZBGL Group, which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. On January 3, 2023, ANZBGL established, by a scheme of arrangement, a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group (and, as a result, ANZGHL is the ultimate parent company of the ANZ Bank NZ Group) and subsequently implemented a restructure to separate ANZBGL's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The ANZ Bank Group comprises the majority of the businesses and subsidiaries that were held in ANZBGL prior to the Restructure. The ANZ Non-Bank Group comprises banking adjacent-businesses developed or acquired by the ANZBGL Group or the ANZ Group to focus on bringing new technology and banking-adjacent services to the ANZ Group's customers. ANZGHL is a public company limited by shares incorporated in Australia. ANZGHL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia and the telephone number is +61 3 9683 9999. ANZGHL's Australian Company Number is ACN 659 510 791.

The ANZBGL Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. Geographically, operations span Australia, New Zealand, a number of countries in the Asia Pacific region, the UK, France, Germany and the United States.

As of March 31, 2023, the ANZBGL Group had total assets of A$1,111.6 billion and shareholders' equity excluding non-controlling interests of A$68.1 billion. In terms of total assets among banking groups, the ANZBGL Group ranked second in Australia as at March 31, 2023,[1] and first in New Zealand as at March 31, 2023.[2]

Prior to the implementation of the Restructure, ANZBGL's principal ordinary share listing and quotation was on the ASX. Its ordinary shares were also quoted on the NZX. As a result of the Restructure, ANZBGL's ordinary shares are no longer listed or quoted on the ASX or NZX.

Business Model

The ANZBGL Group's business model primarily consists of raising funds through customer deposits and the wholesale debt markets and lending those funds to customers. In addition, the ANZBGL Group operates a Markets business which earns revenue from sales, trading and risk management activities. The ANZBGL Group also provides payments and clearing solutions.

The ANZBGL Group's primary lending activities are personal lending covering residential home loans, credit cards and overdrafts, and lending to corporate and institutional customers.

The ANZBGL Group's income is derived from a number of sources, primarily:

- Net interest income – represents the difference between the interest income the ANZBGL Group earns on its lending activities and the interest paid on customer deposits and wholesale funding;
- Net fee and commission income – represents fee income earned on lending and non-lending related financial products and services. It includes net funds management income;
- Share of associates' profits – represents the ANZBGL Group's share of the profit of an entity over which the ANZBGL Group has significant influence but not control; and
- Other income – includes insurance commissions, revenue generated from sales, trading and risk management activities in the Markets business, net foreign exchange earnings, gains and losses from economic and revenue and expense hedges and gains or losses from divestments and business closures.

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1 *Source: Commonwealth Bank of Australia results announcement for the fiscal half year ended December 31, 2022; National Australia Bank results announcement for the fiscal half year ended March 31, 2023; Westpac Banking Corporation results announcement for the fiscal half year ended March 31, 2023.*

2 *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending March 31, 2023.*

Strategy

The ANZBGL Group's strategy is focused on improving the financial wellbeing and sustainability of its customers; by providing excellent services, tools and insights that engage and retain customers and positively change their behavior.

In particular, the ANZBGL Group wants to help customers:

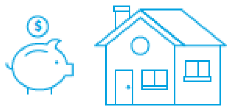
- save for, buy and own a livable home;
- start or buy and sustainably grow their business; and
- move capital and goods around the region and sustainably grow their business.

The ANZBGL Group will achieve its strategy through:

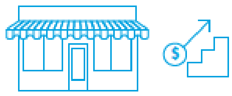
- **Propositions** the ANZBGL Group's customers love – with easy to use services that evolve to meet their changing needs. Through better use of data the ANZBGL Group will be able to provide valuable insights about its customers and how they can improve their financial wellbeing and sustainability over their lifetime, enabling the ANZBGL Group to create superior propositions.
- Flexible and resilient digital banking **Platforms** – powering the ANZBGL Group's customers and made available for others to power the industry. Platforms underpin the ANZBGL Group's own propositions and will increasingly underpin those of its customers, notably other banks or institutional corporations.
- **Partnerships** that unlock new value – with ecosystems that help customers further improve their financial wellbeing and sustainability. The ANZBGL Group recognizes that no one institution can do everything or innovate at the pace necessary to satisfy customers' needs – strong relationships with partners are therefore vital.
- **Purpose** and values-led people – who drive value by caring about the ANZBGL Group's customers and the outcomes it creates. The ANZBGL Group's people listen, learn and adapt and do the right thing the first time, delivering the outcomes that address financial and sustainability challenges.

Building the financial wellbeing and sustainability of the ANZBGL Group's customers creates a positive cycle of benefits. It directly benefits customers and also grows shareholder returns; it leads to a strong and positive reputation; it ultimately means it costs less to acquire customers; and it grows loyalty, which in turn generates better returns – delivering more capital so the ANZBGL Group can invest in building a better bank and continue to improve the lives of its customers.

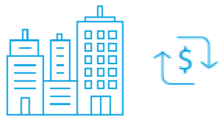
In particular, we want to help customers:



Save for, buy and own a liveable home



Start or buy and sustainably grow their business



Move capital and goods around the region and sustainably grow their business

Principal activities of the ANZBGL Group

During the six months ended March 31, 2023, the ANZBGL Group operated on a divisional structure with six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific and Group Centre.

The divisions reported below are consistent with operating segments as defined in the AASB 8 *Operating* Segments and with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

As of March 31, 2023, the principal activities of the ANZBGL Group's six divisions were:

Australia Retail

The Australia Retail division provides a full range of banking services to Australian consumers. This includes Home Loans, Deposits, Credit Cards and Personal Loans. Products and services are provided via the branch network, home loan specialists, contact centers, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third-party brokers. It also includes the costs related to the development and operation of the ANZ Plus proposition for retail customers.

Australia Commercial

The Australia Commercial division provides a full range of banking products and financial services, including asset financing, across the following customer segments: small business owners and medium commercial customers (SME Banking) and large commercial customers, high net worth individuals and family groups (Specialist Business).

Institutional

The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International (including Papua New Guinea ("**PNG**")) via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialized loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provides customers with risk management services in foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the ANZBGL Group's interest rate exposure and liquidity position.

New Zealand

See "Overview" in Part B (Issuers and Guarantor Information) of this Offering Memorandum.

Pacific

The Pacific division provides products and services to retail and commercial customers (including multinationals) and governments located in the Pacific region, excluding PNG, which forms part of the Institutional division.

Group Centre

Group Centre division provides support to the operating divisions, including technology, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. It also includes Group Treasury, Shareholder Functions and minority investments in Asia.

Risk Management Policies

ANZ Bank NZ recognizes the importance of effective risk management to its business success. ANZ Bank NZ is committed to achieving strong control and a distinctive risk management capability that enables ANZ Bank NZ's business units to meet their performance objectives.

ANZ Bank NZ approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk management function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

- the Board, providing leadership, setting risk appetite/strategy and monitoring progress;
- a strong framework for development and maintenance of ANZ Bank NZ's risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- the use of risk tools, applications and processes to execute the global risk management strategy across ANZ Bank NZ;
- business unit level accountability, as the "first line of defense", and for the management of risks in alignment with ANZ Bank NZ's strategy; and
- independent oversight to ensure business unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

ANZ Bank NZ manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering ANZ Bank NZ's response to emerging risk issues and trends, and that the requisite culture and practices are in place across ANZ Bank NZ, are conducted within ANZ Bank NZ and also by ANZBGL.

ANZ Bank NZ's Board has ultimate responsibility for all aspects of risk management, including overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. ANZ Bank NZ's Risk Committee, which is a committee of the Board, assists with this function. The role of the Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, capital, financial, operational, compliance, liquidity and funding, insurance and reputational risk management, and to liaise and consult with the ANZBGL Risk Committee as required. ANZ Bank NZ has an independent risk management function, which, via the Chief Risk Officer, coordinates risk management directly between Business Unit risk functions and ANZBGL Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the ANZBGL Board.

ANZ Bank NZ's risk management policies are essentially the same as ANZBGL's but are tailored where required to suit the local New Zealand regulatory and business environment.

The Audit Committee, which is a committee of the Board, has responsibility for ensuring the integrity of ANZ Bank NZ's financial controls, reporting systems and internal audit standards. It meets at least four times a year, and reports directly to the Board.

Credit Risk

ANZ Bank NZ has an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

This framework is top down, being defined by ANZ Bank NZ's Credit Principles and Policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle from initial approval and risk grading, through ongoing management and problem debt management. The effectiveness of the credit risk management framework is validated through compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organization and staff. ANZ Bank NZ also maintains a bank-wide risk appetite framework and business writing strategies for each of its major business units which give practical effect to the credit and risk appetite frameworks. These strategy papers are reviewed by the appropriate management committees and the ANZ Bank NZ Board.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support ANZ Bank NZ's business units. All major business unit credit decisions require approval from both business writers and independent risk personnel.

Credit risk includes concentrations of credit risk, intra-day credit risk, credit risk to bank counterparties and related party credit risk, and is the potential loss arising from the non-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments. Credit risk incorporates the risks associated with lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk policy and management is executed through the Chief Risk Officer who has various dedicated areas within the Risk Management division. Wholesale Risk services ANZ Bank NZ's small business, commercial, institutional and rural lending activities through dedicated teams. Personal Risk services ANZ Bank NZ's consumer and private banking customers. The Wholesale Risk, Personal Risk and Risk Metrics and Measurements teams within Risk Management provide an independent overview of credit risk across ANZ Bank NZ at a portfolio level. ANZ Bank NZ allows discretion for transaction approvals at the business unit level in both the retail and wholesale lending sectors, with larger transactions approved by Personal Risk and Wholesale Risk.

Market Risk

ANZ Bank NZ has a market risk management and control framework, to support trading and balance sheet management activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach and related analysis identify the range of possible outcomes that can be expected over a given period of time, and establish the relative likelihood of those outcomes and allocate an appropriate amount of capital to support these activities.

Traded market risk is the risk of loss from changes in value of financial instruments due to movements in price factors for both physical and derivative trading positions. These risks are monitored daily against a comprehensive limit framework that includes Value at Risk ("**VaR**"), aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:

- currency risk is the potential loss arising from the decline in the value of a financial instrument, due to changes in foreign exchange rates or their implied volatilities;
- interest rate risk is the potential loss arising from the change in the value of a financial instrument, due to changes in market interest rates or their implied volatilities; and
- credit spread risk is the potential loss arising from a decline in value of an instrument due to a movement of its margin or spread relative to a benchmark.

VaR Methodology: All the above risks are measured using a VaR methodology. The VaR methodology is a statistical estimate of the likely daily loss and is based on historical market movements. The confidence level is such that there is a 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely, there is a 1% probability of the decrease in market value exceeding the VaR estimate on any given day. ANZ Bank NZ has adopted the historical simulation methodology as the standard for the calculation of VaR. This methodology is based on assessing the change in value of portfolios each day against historical prices.

Within overall strategies and policies, control of market risk exposures at ANZ Bank NZ level is the responsibility of Market Risk, who work closely with the Markets and Treasury business units.

The Traded Market Risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a VaR framework and detailed control limits. In all trading areas ANZ Bank NZ has implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and "stress test" trading portfolios. The ALCO, comprising executive management, provides oversight of Market Risk.

The Chief Risk Officer is responsible for daily review and oversight of traded market risk reports. The Chief Risk Officer has the authority for instructing the business to close exposures and withdraw limits where appropriate.

Balance Sheet Risk Management embraces the management of non-traded interest rate risk, liquidity and the risk to capital and earnings as a result of exchange rate movements. A specialist balance sheet management unit manages these, and is overseen by Risk Management and the ALCO.

- interest rate risk management's objective is to produce strong and stable net interest income over time. ANZ Bank NZ uses simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the re-pricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Non-traded interest rate risk is managed to both value and earnings at risk limits;
- currency risk relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures, arising from each class of financial asset and liability, whether recognized or unrecognized, within each currency are not material;
- liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. ANZ Bank NZ maintains sufficient liquid funds to meet commitments based on historical and forecasted cash flow requirements. Liquidity risk is measured through cash flow modelling, with profiles produced for both normal business and short-term crisis conditions. The RBNZ introduced a Liquidity Policy (BS13 and BS13A) covering the management of liquidity risk by registered banks in New Zealand which took effect from March 30, 2010. A description of these requirements is covered under "Supervision and Regulation—Conditions of Registration for ANZ Bank New Zealand Limited";
- equity risk is the potential loss arising from the decline in the value of equity instruments held by the ANZ Bank NZ Group due to changes in their equity market prices or implied volatilities;
- prepayment risk is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to ANZ Bank NZ of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation; and
- basis risk is the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing. This is managed through active review of product margins.

Operational Risk

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk and the risk of reputational loss or damage arising from inadequate or failed internal processes, people, systems, management of data and data integrity, but excludes strategic risk.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Operational risk is typically classified into risk event type categories to measure and compare risks on a consistent basis. Examples of operational risk events according to category are as follows:

- internal fraud: fraud involving ANZ Bank NZ's employees, contractors or any internal party who acts by deception or with dishonesty to obtain property belonging to another or obtain financial advantage for themselves or cause any financial disadvantage to the ANZ Bank NZ Group or others;
- external fraud: fraudulent acts or attempts which originate from outside the ANZ Bank NZ Group, more commonly associated with digital banking, lending, and cards products. Specific threats include ATM skimming, malware and phishing attacks and fraudulent applications and transactions, where financial advantage is obtained;
- employment practices and workplace safety: employee relations, diversity and discrimination, and health and safety risks to ANZ Bank NZ's employees;
- loss of key staff or inadequate management of human resources including the CEO and the management team of the CEO;
- clients, products and business practices: risk of market manipulation or anti-competitive behavior, failure to comply with disclosure obligations, product defects, incorrect advice, money laundering and misuse or unauthorized disclosure of customer information;
- business disruption (including systems failures): risk that ANZ Bank NZ's banking operating systems are disrupted or fail;
- damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages ANZ Bank NZ's buildings or property; and
- execution, delivery and process management: is associated with losses resulting from, among other things, process errors made by ANZ Bank NZ's employees caused by inadequate or poorly designed internal processes, or the poor execution of standard processes, vendor, supplier or outsource provider failures in the management of data and data integrity or failed mandatory reporting errors.

Risk Management is responsible for establishing the ANZ Bank NZ Group's operational risk framework and associated ANZBGL Group wide policies. Business units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

Business units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Risk Forums. ANZ Bank NZ’s Operational Risk Executive Committee (“**OREC**”) undertakes the governance function through the regular monitoring of operational risk performance across the ANZ Bank NZ Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

The ANZ Bank NZ Group conducts its business in accordance with all relevant compliance requirements. In order to assist the ANZ Bank NZ Group to identify, manage, monitor and measure its compliance obligations, the ANZ Bank NZ Group has a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with business unit staff, ensures the ANZ Bank NZ Group operates within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimize material risks to the ANZ Bank NZ Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the management of compliance. The Risk Management division provides policy and framework, monitoring and reporting, as well as subject matter experts in areas such as anti-money laundering procedures and matters of prudential compliance. OREC, the Chief Risk Officer, the ANZ Bank NZ Board and the Risk Committee of the ANZBGL Board conduct Board and Executive oversight.

Internal Audit Function

ANZ Bank NZ’s Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management.

Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the CEO and the external auditor. The Internal Audit Plan is developed using a risk based approach and is reviewed quarterly. The Audit Committee approves the plan.

Internal audit activities are conducted in accordance with international internal auditing standards, and the results of the activities are reported to the Audit Committee and management. These results influence the performance assessment of business heads. Furthermore, Internal Audit monitors the remediation of audit issues and reports the current status of any outstanding audits.

Other Contingent Liabilities

See “Risk Factors—Legal and regulatory risk—Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group's Position” in this Offering Memorandum.

Other Court Proceedings

There are outstanding court proceedings, claims and possible claims for and against the ANZ Bank NZ 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, the ANZ Bank NZ Group has not disclosed the estimated financial impact of the individual items, either because it is not practicable to do so, or because such disclosure may prejudice seriously the interests of the ANZ Bank NZ Group.

Regulatory Reviews and Customer Exposures

See “Risk Factors—Legal and regulatory risk—Litigation and contingent liabilities may adversely affect the ANZ Bank NZ Group's Position” in this Offering Memorandum.

Annex A- ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited Financial Statements

Contents

ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2023

CONTENTS

GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

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

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

Ultimate Non-Bank Holding Company means ANZ Group Holdings Limited.

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

Overseas Banking Group means the worldwide operations of the Ultimate Parent Bank 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.

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

Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Bank'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

Condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT

For the six months ended 31 March	Note	2023 NZ$m	2022 NZ$m
Interest income		4,672	2,454
Interest expense		(2,525)	(685)
Net interest income		2,147	1,769
Other operating income	2	239	561
Operating income		2,386	2,330
Operating expenses		(811)	(826)
Profit before credit impairment and income tax		1,575	1,504
Credit impairment release / (charge)	5	(121)	20
Profit before income tax		1,454	1,524
Income tax expense		(408)	(423)
Profit for the period		1,046	1,101

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
Profit for the period	1,046	1,101
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	-	3
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised losses recognised directly in equity	(28)	(58)
Realised gains transferred to the income statement	(12)	(29)
Income tax attributable to the above items	11	23
Other comprehensive income after tax	(29)	(61)
Total comprehensive income for the period	1,017	1,040

The notes appearing on pages 8 to 20 form an integral part of these interim financial statements

BALANCE SHEET

As at	Note	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Assets			
Cash and cash equivalents		12,657	12,575
Settlement balances receivable		516	785
Collateral paid		576	1,672
Trading securities		5,657	7,228
Derivative financial instruments		6,354	15,481
Investment securities		11,211	11,357
Net loans and advances	4	147,154	147,067
Current tax assets		6	-
Deferred tax assets		355	362
Goodwill and other intangible assets		3,096	3,099
Premises and equipment		423	450
Other assets		990	1,058
Total assets		188,995	201,134
Liabilities			
Settlement balances payable		3,410	4,933
Collateral received		1,056	1,962
Deposits and other borrowings	6	139,423	139,642
Derivative financial instruments		6,281	13,785
Current tax liabilities		-	310
Payables and other liabilities		1,926	1,345
Employee entitlements		122	128
Other provisions		209	222
Debt issuances	7	18,688	21,023
Total liabilities		171,115	183,350
Net assets		17,880	17,784
Shareholders' equity			
Share capital		12,438	12,438
Reserves		19	48
Retained earnings		5,423	5,298
Total shareholders' equity		17,880	17,784

The notes appearing on pages 8 to 20 form an integral part of these interim financial statements

INTERIM FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
Profit after income tax	1,046	1,101
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortisation	60	63
Loss on sale and impairment of premises and equipment	1	1
Net derivatives/foreign exchange adjustment	684	(106)
Other non-cash movements	(139)	(9)
Net (increase)/decrease in operating assets:		
Collateral paid	1,096	(75)
Trading securities	1,571	1,767
Net loans and advances	(87)	(5,365)
Other assets	338	(666)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	(1,219)	5,065
Settlement balances payable	(1,523)	1,888
Collateral received	(906)	332
Other liabilities	274	(415)
Total adjustments	150	2,480
Net cash flows from operating activities[1]	1,196	3,581
Cash flows from investing activities		
Investment securities:		
Purchases[2]	(2,822)	(2,241)
Proceeds from sale or maturity[2]	3,348	3,551
Other assets	(30)	(58)
Net cash flows from investing activities	496	1,252
Cash flows from financing activities		
Deposits and other borrowings[3]	1,000	500
Debt issuances:[4]		
Issue proceeds	500	2,680
Redemptions	(2,166)	(3,753)
Repayment of lease liabilities	(23)	(22)
Dividends paid	(921)	(904)
Net cash flows from financing activities	(1,610)	(1,499)
Net change in cash and cash equivalents	82	3,334
Cash and cash equivalents at beginning of period	12,575	7,844
Cash and cash equivalents at end of period	12,657	11,178

1 Net cash provided by operating activities includes income taxes paid of NZ$706 million (2022: NZ$541 million).
2 Comparative amounts for purchases and proceeds were previously grossed up by NZ$3,328 million, and have been updated accordingly.
3 Movement in deposits and other borrowings includes repurchase transactions entered into with the RBNZ under the Funding for Lending Programme of NZ$1,000 million (2022: NZ$500 million).
4 Movement in debt issuances (Note 7 Debt issuances) also includes a NZ$896 million decrease (2022: NZ$705 million decrease) from the effect of foreign exchange rates, a NZ$226 million increase (2022: NZ$643 million decrease) from changes in fair value hedging instruments and a NZ$1 million increase (2022: NZ$16 million increase) from other changes.

The notes appearing on pages 8 to 20 form an integral part of these interim financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ$m	Reserves NZ$m	Retained earnings NZ$m	Total shareholders' equity NZ$m
As at 1 October 2021	11,888	70	4,934	16,892
Profit for the period	-	-	1,101	1,101
Other comprehensive income for the period	-	(63)	2	(61)
Total comprehensive income for the period	-	(63)	1,103	1,040
Transactions with equity holders in their capacity as equity owners:				
Ordinary dividend paid	-	-	(900)	(900)
Preference dividends paid	-	-	(4)	(4)
As at 31 March 2022	11,888	7	5,133	17,028
As at 1 October 2022	12,438	48	5,298	17,784
Profit for the period	-	-	1,046	1,046
Other comprehensive income for the period	-	(29)	-	(29)
Total comprehensive income for the period	-	(29)	1,046	1,017
Transactions with equity holders in their capacity as equity owners:				
Ordinary dividend paid	-	-	(900)	(900)
Preference dividends paid	-	-	(21)	(21)
As at 31 March 2023	12,438	19	5,423	17,880

The notes appearing on pages 8 to 20 form an integral part of these interim financial statements

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. ABOUT OUR INTERIM FINANCIAL STATEMENTS

NEW ULTIMATE NON-BANK HOLDING COMPANY

On 3 January 2023, the Ultimate Parent Bank established, by a scheme of arrangement, a non-operating holding company, ANZ Group Holdings Limited, as the new listed parent holding company of the ANZ Group and implemented a restructure to separate the Overseas Banking Group's banking and certain non-banking businesses into the ANZ bank group and ANZ non-bank group. The ANZ bank group comprises the majority of the businesses and subsidiaries that were held in Australia and New Zealand Banking Group Limited prior to the restructure. The ANZ non-bank group comprises banking-adjacent businesses developed or acquired by the ANZ Group to focus on bringing new technology and banking-adjacent services to its customers, and a separate service company. The Ultimate Parent Bank is unchanged.

The restructure had no effect on these condensed consolidated interim financial statements (financial statements).

BASIS OF PREPARATION

These financial statements for the Banking Group have been prepared in accordance with the requirements of the Order and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2022.

On 8 May 2023, the Directors resolved to authorise the issue of these financial statements.

These financial statements comply with:
- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- NZ IAS 34 *Interim Financial Reporting* and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- IAS 34 *Interim Financial Reporting*.

The financial statements consolidate the financial statements of the Bank and its subsidiaries.

We present the financial statements in New Zealand dollars and have rounded values to the nearest million dollars (NZ$m), unless otherwise stated.

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the previous full year financial statements.

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis except for the following assets and liabilities which we have stated at their fair values:
- derivative financial instruments;
- financial assets and liabilities held for trading;
- financial assets and liabilities designated at fair value through profit and loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

KEY JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires the use of management judgement, estimates and assumptions impacting the application of accounting policies and financial outcomes. 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.

The global economy is facing challenges associated with high inflation, increasing interest rates, labour market constraints, and continuing geopolitical tensions which contributes to an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Banking Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions at 31 March 2023 about future events considered reasonable in the circumstances. Thus there is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further in the relevant notes of these financial statements and/or in the relevant notes in the previous full year financial statements. Readers should consider these disclosures in light of the inherent uncertainties described above.

2. OTHER OPERATING INCOME

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
(i) Fee and commission income		
Lending fees	13	13
Non-lending fees	375	341
Commissions	15	16
Funds management income	120	130
Fee and commission income	523	500
Fee and commission expense	(273)	(242)
Net fee and commission income	250	258
(ii) Other income		
Net trading gains	109	75
Gain on sale of investment securities designated at fair value through other comprehensive income	13	31
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(136)	179
Net foreign exchange earnings and other financial instruments income	(14)	285
Release of provisions for UDC Finance Ltd and Paymark Ltd disposal costs	-	14
Other	3	4
Other income	(11)	303
Other operating income	239	561

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. SEGMENT REPORTING

The Banking Group is organised into three major business segments for segment reporting purposes - Personal, Business and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

Segment reporting has been updated to reflect the transfer of certain larger business and property finance customers from Business to Institutional. The transfer aligns the customer needs with the right support and expertise delivering a better customer experience. Comparative amounts have been adjusted to be consistent with the current period's segment definitions. The change resulted in the movement of NZ$11.9 billion of net loans and advances, NZ$3.5 billion of customer deposits and NZ$200 million of goodwill as at 30 September 2022, and NZ$88 million of profit after tax for the six months ended 31 March 2022, from Business to Institutional.

Personal
Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.

Business
Business provides a full range of banking services including small business lending, through our digital, branch and contact centres channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional
The Institutional division services governments, global institutional and corporate customers via the following business units:

- **Transaction Banking** provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- **Corporate Finance** provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- **Markets** provide customers with risk management services on foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the Banking Group's interest rate exposure and high quality liquid asset portfolio.

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

	Personal		Business		Institutional		Other		Total	
For the six months ended 31 March	2023 NZ$m	2022 NZ$m	2023 NZ$m	2022 NZ$m	2023 NZ$m	2022 NZ$m	2023 NZ$m	2022 NZ$m	2023 NZ$m	2022 NZ$m
Net interest income	1,219	1,020	496	415	346	318	86	16	2,147	1,769
Net fee and commission income										
- Lending fees	3	4	-	1	10	8	-	-	13	13
- Non-lending fees	220	196	132	121	23	24	-	-	375	341
- Commissions	15	15	-	-	-	1	-	-	15	16
- Funds management income	120	130	-	-	-	-	-	-	120	130
- Fee and commission expense	(167)	(144)	(106)	(98)	-	-	-	-	(273)	(242)
Net fee and commission income	191	201	26	24	33	33	-	-	250	258
Other income	1	1	-	-	147	79	(159)	223	(11)	303
Other operating income	192	202	26	24	180	112	(159)	223	239	561
Operating income	1,411	1,222	522	439	526	430	(73)	239	2,386	2,330
Operating expenses	(574)	(585)	(109)	(102)	(113)	(125)	(15)	(14)	(811)	(826)
Profit before credit impairment and income tax	837	637	413	337	413	305	(88)	225	1,575	1,504
Credit impairment release / (charge)	(50)	(26)	(32)	58	(39)	(12)	-	-	(121)	20
Profit / (loss) before income tax	787	611	381	395	374	293	(88)	225	1,454	1,524
Income tax credit / (expense)	(220)	(171)	(107)	(111)	(105)	(82)	24	(59)	(408)	(423)
Profit / (loss) after income tax	567	440	274	284	269	211	(64)	166	1,046	1,101

	Personal		Business		Institutional		Other		Total	
	31 Mar 23	30 Sep 22	31 Mar 23	30 Sep 22	31 Mar 23	30 Sep 22	31 Mar 23	30 Sep 22	31 Mar 23	30 Sep 22
As at	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Financial position										
Goodwill	**1,042**	1,042	**695**	695	**1,269**	1,269	**-**	-	**3,006**	3,006
Net loans and advances	**103,240**	102,709	**24,924**	25,560	**18,990**	18,798	**-**	-	**147,154**	147,067
Customer deposits	**86,108**	85,391	**18,506**	19,059	**25,684**	25,880	**-**	-	**130,298**	130,330

Other segment

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

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
Personal and Business central functions	**2**	20
Group Centre	**32**	20
Economic hedges	**(98)**	126
Total	**(64)**	166

4. NET LOANS AND ADVANCES

	Note	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Overdrafts		**938**	968
Credit cards		**1,264**	1,238
Term loans - housing		**104,324**	103,872
Term loans - non-housing		**40,989**	41,234
Subtotal		**147,515**	147,312
Unearned income		**(32)**	(32)
Capitalised brokerage and other origination costs		**421**	433
Gross loans and advances		**147,904**	147,713
Allowance for expected credit losses	5	**(750)**	(646)
Net loans and advances		**147,154**	147,067

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$269 million as at 31 March 2023 (30 September 2022: NZ$306 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. ALLOWANCE FOR EXPECTED CREDIT LOSSES

This note should be read in conjunction with the estimates, assumptions and judgements included in Note 1 About our interim financial statements.

	31 Mar 23			30 Sep 22		
	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Net loans and advances at amortised cost	662	88	750	569	77	646
Off-balance sheet commitments	105	5	110	100	5	105
Total	767	93	860	669	82	751

The following tables present the movement in the allowance for expected credit losses (ECL).

Net loans and advances
Allowance for ECL is included in net loans and advances.

			Stage 3		
	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2022	199	311	59	77	646
Transfer between stages	19	(20)	1	-	-
New and increased provisions (net of collective provision releases)	(24)	107	10	37	130
Write-backs	-	-	-	(9)	(9)
Bad debts written-off (excluding recoveries)	-	-	-	(16)	(16)
Discount unwind reversal	-	-	-	(1)	(1)
As at 31 March 2023	194	398	70	88	750

Off-balance sheet credit related commitments - undrawn and contingent facilities
Allowance for ECL is included in other provisions.

As at 1 October 2022	66	31	3	5	105
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of collective provision releases)	-	5	-	-	5
As at 31 March 2023	68	34	3	5	110

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
New and increased provisions		
- Collectively assessed	98	(16)
- Individually assessed	37	35
Write-backs	(9)	(22)
Recoveries of amounts previously written-off	(5)	(17)
Total credit impairment charge / (release)	121	(20)

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the Banking Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Banking Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

Judgement / assumption	Description	Considerations for the six months ended 31 March 2023
Determining when a significant increase in credit risk (SICR) has occurred or reversed	In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Banking Group monitors the effectiveness of SICR criteria on an ongoing basis.	The Banking Group has continued to adjust ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, elevated inflation and labour market pressures.
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity. In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.	The PD, LGD and EAD models are subject to the Banking Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality. There were no material changes to the policies.
Base case economic forecast	The Banking Group derives a forward-looking 'base case' economic scenario which reflects our view of future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs. As at 31 March 2023, the base case assumptions have been updated to reflect elevated inflation, continuing high interest rates, continued cost of living pressures and tightness in the labour market. The expected outcomes of key economic drivers for the base case scenario at 31 March 2023 are described below under the heading 'Base case economic forecast assumptions'.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the six months ended 31 March 2023
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	The probability weightings for each scenario remained unchanged from 30 September 2022. Weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.	Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates. In addition, management overlays have been made for risks particular to business banking. Management temporary adjustments total NZ$171 million (September 2022: NZ$169 million).

1 The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of our view of future macroeconomic conditions, used at 31 March 2023 are set out below. For years beyond the near term forecasts below, the ECL models apply simplified assumptions for the economy to calculate lifetime loss.

	Actual calendar year	Forecast calendar year	
New Zealand	2022	2023	2024
Gross domestic product (GDP) (annual % change)	2.8%	1.4%	-0.1%
Unemployment rate	3.3%	3.9%	5.2%
Residential property prices (annual % change)	-13.0%	-9.7%	2.2%
Consumer price index (CPI) (annual % change)	7.2%	6.1%	2.9%

The base case economic forecasts are for a continuing slowdown in economic activity. Continued high inflation and tight labour markets are expected to keep interest rates high and dampen growth over the forecast period.

KEY JUDGEMENTS AND ESTIMATES

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

Scenario weightings remain the same as those applied in September 2022 as noted in the table below.

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Banking Group considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Banking Group's credit portfolios. The weightings applied are set out below:

	31 Mar 23	30 Sep 22
Base	45.0%	45.0%
Upside	0.0%	0.0%
Downside	40.0%	40.0%
Severe downside	15.0%	15.0%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Banking Group should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of the Banking Group's allowance for collectively assessed ECL to key factors used in determining it as at 31 March 2023:

	Balance Sheet NZ$m	Profit and Loss Impact NZ$m
If 1% of Stage 1 facilities were included in Stage 2	778	11
If 1% of Stage 2 facilities were included in Stage 1	766	(1)
100% upside scenario	182	(585)
100% base scenario	310	(458)
100% downside scenario	598	(170)
100% severe downside scenario	1,453	686

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, the Banking Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the continuing uncertainties described above and in Note 1 About our interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. DEPOSITS AND OTHER BORROWINGS

	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Term deposits	50,831	46,746
On demand and short term deposits	60,133	62,203
Deposits not bearing interest	19,334	21,381
Total customer deposits	130,298	130,330
Certificates of deposit	1,487	1,639
Commercial paper	2,771	2,955
Securities sold under repurchase agreements	4,782	4,642
Deposits from Immediate Parent Company and NZ Branch	85	76
Deposits and other borrowings	139,423	139,642

7. DEBT ISSUANCES

The Banking Group uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that holders of unsubordinated debt take priority over holders of subordinated debt owed by the relevant issuer and subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the unsubordinated debt holders.

	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Senior debt	12,239	13,577
Covered bonds	4,151	4,082
Total unsubordinated debt	16,390	17,659
Subordinated debt		
- Additional Tier 1 capital	938	1,941
- Tier 2 capital	1,360	1,423
Total subordinated debt	2,298	3,364
Total debt issued	18,688	21,023

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 priority ranking creditors of the Covered Bond Trust have been satisfied.

8. CREDIT RISK

This note should be read in conjunction with the estimates, assumptions and judgements included in Note 1 About our interim financial statements and Note 5 Allowance for expected credit losses.

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Banking Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	31 Mar 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m
On-balance sheet positions						
Net loans and advances	147,154	147,067	-	-	147,154	147,067
Other financial assets:						
Cash and cash equivalents	12,657	12,575	183	154	12,474	12,421
Settlement balances receivable	516	785	-	-	516	785
Collateral paid	576	1,672	-	-	576	1,672
Trading securities	5,657	7,228	-	-	5,657	7,228
Derivative financial instruments	6,354	15,481	-	-	6,354	15,481
Investment securities	11,211	11,357	-	-	11,211	11,357
Other financial assets[2]	835	955	-	-	835	955
Total other financial assets	37,806	50,053	183	154	37,623	49,899
Subtotal	184,960	197,120	183	154	184,777	196,966
Off-balance sheet commitments						
Undrawn and contingent facilities[3]	29,121	30,187	-	-	29,121	30,187
Total	214,081	227,307	183	154	213,898	227,153

1 Coins, notes and cash at bank within cash and cash equivalents were excluded as they do not have credit risk exposure.
2 Other financial assets mainly comprise accrued interest and acceptances.
3 Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

Credit quality

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

Credit quality description	Internal CCR	The Banking Group customer requirements	Moody's Rating	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 – Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	n/a	n/a

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Net loans and advances			Stage 3		
As at 31 March 2023	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	120,743	3,807	-	-	124,550
Satisfactory	15,058	4,702	-	-	19,760
Weak	306	2,102	-	-	2,408
Defaulted	-	-	649	148	797
Subtotal	136,107	10,611	649	148	147,515
Allowance for ECL	(194)	(398)	(70)	(88)	(750)
Net loans and advances at amortised cost	135,913	10,213	579	60	146,765
Coverage ratio	0.14%	3.75%	10.79%	59.46%	0.51%
Unearned income					(32)
Capitalised brokerage and other origination costs					421
Net carrying amount					147,154
As at 30 September 2022					
Strong	123,097	2,678	-	-	125,775
Satisfactory	16,327	3,018	-	-	19,345
Weak	257	1,201	-	-	1,458
Defaulted	-	-	588	146	734
Subtotal	139,681	6,897	588	146	147,312
Allowance for ECL	(199)	(311)	(59)	(77)	(646)
Net loans and advances at amortised cost	139,482	6,586	529	69	146,666
Coverage ratio	0.14%	4.51%	10.03%	52.74%	0.44%
Unearned income					(32)
Capitalised brokerage and other origination costs					433
Net carrying amount					147,067

Off-balance sheet commitments - undrawn and contingent facilities			Stage 3		
As at 31 March 2023	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	24,860	178	-	-	25,038
Satisfactory	3,391	678	-	-	4,069
Weak	8	98	-	-	106
Defaulted	-	-	13	5	18
Gross undrawn and contingent facilities	28,259	954	13	5	29,231
Allowance for ECL included in other provisions	(68)	(34)	(3)	(5)	(110)
Net undrawn and contingent facilities	28,191	920	10	-	29,121
Coverage ratio	0.24%	3.56%	23.08%	100.00%	0.38%
As at 30 September 2022					
Strong	25,901	224	-	-	26,125
Satisfactory	3,368	682	-	-	4,050
Weak	8	89	-	-	97
Defaulted	-	-	14	6	20
Gross undrawn and contingent facilities	29,277	995	14	6	30,292
Allowance for ECL included in other provisions	(66)	(31)	(3)	(5)	(105)
Net undrawn and contingent facilities	29,211	964	11	1	30,187
Coverage ratio	0.23%	3.12%	21.43%	83.33%	0.35%

9. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

The Banking Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted market price (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	31 Mar 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Assets								
Cash and cash equivalents[1]	-	-	1,411	-	-	-	1,411	-
Trading securities[2]	3,685	5,565	1,972	1,663	-	-	5,657	7,228
Derivative financial instruments	24	109	6,330	15,372	-	-	6,354	15,481
Investment securities[2]	7,544	10,895	3,666	461	1	1	11,211	11,357
Total	11,253	16,569	13,379	17,496	1	1	24,633	34,066
Liabilities								
Deposits and other borrowings[1]	-	-	3,753	2,955	-	-	3,753	2,955
Derivative financial instruments	11	8	6,259	13,765	11	12	6,281	13,785
Other financial liabilities	801	364	-	-	-	-	801	364
Total	812	372	10,012	16,720	11	12	10,835	17,104

1 During the six months ended 31 March 2023, within the trading book in its Markets business, a component of the Institutional division, the Banking Group commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at fair value through profit and loss.

2 During the six months ended 31 March 2023, NZ$2,882 million of assets were transferred from Level 1 to Level 2 due to a change of the observability of bond valuation inputs. There were no other material transfers during the period. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

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 23 NZ$m	30 Sep 22 NZ$m	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Financial assets				
Net loans and advances[1]	147,154	147,067	146,012	145,459
Total	147,154	147,067	146,012	145,459
Financial liabilities				
Deposits and other borrowings[2]	135,670	136,687	135,547	136,493
Debt issuances[1]	18,688	21,023	18,624	20,952
Total	154,358	157,710	154,171	157,445

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 and securities sold under repurchase agreements (Note 6 Deposits and other borrowings) designated at fair value through profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments and contingencies	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Contract amount of:		
Undrawn facilities	26,402	27,310
Guarantees and letters of credit	1,181	1,225
Performance related contingencies	1,648	1,757
Total	29,231	30,292

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 seriously the interests of the Banking Group.

REGULATORY AND CUSTOMER EXPOSURES

The Banking Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities both in New Zealand and globally. 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. The nature of these interactions can be wide ranging and, for example, may include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

In 2021, the Bank self-identified and notified three prescribed transaction reporting (PTR) matters to RBNZ, where transaction reports had not been filed within the prescribed timeframe. RBNZ has informed the Bank that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009 relating to PTR. In April 2023, RBNZ notified the Bank that it had closed its investigations into these breaches, and imposed some additional reporting obligations on the Bank, to be provided by no later than 31 October 2023.

LOAN INFORMATION LITIGATION

In September 2021, representative proceedings were brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations. The proceedings are still at an early stage. In July 2022, the High Court ruled that the proceedings shall proceed as an opt-out representative action brought by one representative plaintiff on behalf of a class, being customers who entered into a home loan or personal loan with the Bank between 6 June 2015 and 28 May 2016 and requested a variation to that loan during that period. All parties have appealed aspects of that decision.

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, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

LIMITED ASSURANCE REPORT

KPMG

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONCLUSION

We have completed a review of the accompanying consolidated interim financial statements of ANZ Bank New Zealand Limited (the Bank) and its subsidiaries (the Banking Group) on pages 4 to 20 which comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements have not been prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* (NZ IAS 34) and IAS 34 *Interim Financial Reporting* (IAS 34).

BASIS FOR CONCLUSION

A review of the consolidated interim financial statements 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 the Banking Group, 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.

USE OF THIS INDEPENDENT REVIEW REPORT

This independent review report is made solely to the Bank's shareholder. 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the consolidated interim financial statements in accordance with NZ IAS 34 and IAS 34;
- implementing necessary internal control to enable the preparation of a consolidated interim financial statements that are 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the Banking Group's consolidated interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Jamie Munro.

KPMG

KPMG
Auckland

8 May 2023

REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES

Details of the ultimate non-bank holding company

On 3 January 2023, the Ultimate Parent Bank established, by a scheme of arrangement, a non-operating holding company, ANZ Group Holdings Limited, as the new listed parent holding company of the ANZ Group and implemented a restructure to separate the Overseas Banking Group's banking and certain non-banking businesses into the ANZ bank group and ANZ non-bank Group. The ANZ bank group comprises the majority of the businesses and subsidiaries that were held in Australia and New Zealand Banking Group Limited prior to the restructure. The ANZ non-bank group comprises banking-adjacent businesses developed or acquired by the ANZ Group to focus on bringing new technology and banking-adjacent services to its customers, and a separate service company.

The address for service of the Ultimate Non-Bank Holding Company is ANZ Centre, Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

The Ultimate Parent Bank is unchanged.

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 16, SAP Tower, 151 Queen Street, Auckland 1010, 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 16 for further details, and to page 24 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 8 May 2023.

Changes in the Bank's Board of Directors

Mark Verbiest resigned as a Non-Executive Director on 31 December 2022 and Mark Tume was appointed as a Non-Executive Director on 1 January 2023. As at 8 May 2023, there have been no other changes to the Directors of the Bank since 30 September 2022, the balance date of the last full year disclosure statement.

Auditors

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

Pending proceedings or arbitration

A description of any pending legal proceedings or arbitration concerning any member of the Banking Group that may have a material adverse effect on the Bank or the Banking Group is included in Note 10 Commitments and contingent liabilities.

Credit rating

The Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations that are payable in New Zealand in New Zealand dollars.

As at 8 May 2023, the Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Stable
Fitch Ratings	A+	Outlook Stable
Moody's Investors Service	A1	Outlook Stable

Other material matters

Climate related disclosures

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 with effect from 27 October 2022. The amendments will require the Banking Group to produce climate statements from the year ending 30 September 2024, in accordance with climate reporting standards issued by the External Reporting Board. The Banking Group is actively preparing to produce climate statements in accordance with this timetable.

Revised RBNZ capital requirements

RBNZ has revised its bank capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in RBNZ's Banking Prudential Requirements documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements still being implemented are:

- The Banking Group's total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. The increased capital ratios requirements are being progressively implemented until July 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer, which can be temporarily reduced to 0% following a financial crisis, or temporarily increased; and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 31 March 2023, the Bank had NZ$1,238 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over the transition period to 1 July 2028.

RBNZ's reforms will result in a material increase in the level of capital that the Banking Group is required to hold. The reforms could have a material impact on the Banking Group and its business, including on its capital allocation and business planning.

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 March 2023	NZ$m
Total interest earning and discount bearing assets	177,541
Total interest and discount bearing liabilities	142,804
Total amounts due from related entities	3,986
Total amounts due to related entities	4,958

Assets charged as security for liabilities

The following disclosure excludes the amounts presented as collateral paid and received on the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of the Banking Group's covered bond programmes; and
- collateral provided to the RBNZ under the Term Lending Facility (TLF) and Funding for Lending Programme (FLP).

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

As at 31 March 2023	NZ$m
Securities sold under agreements to repurchase	980
Residential mortgages pledged as security for repurchase agreements with RBNZ	4,844
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	9,818

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, and all other items of other income (all in Note 2 Other operating income).

Additional information on concentrations of credit risk

Analysis of financial assets by industry is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately as required by the Order.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

As at 31 March 2023	Loans and advances NZ$m	Other financial assets NZ$m	Off-balance sheet credit related commitments NZ$m	Total NZ$m
New Zealand residents				
Agriculture	15,422	64	991	16,477
Forestry and fishing, agriculture services	585	4	122	711
Mining	195	10	257	462
Manufacturing	2,711	140	1,925	4,776
Electricity, gas, water and waste services	804	234	1,400	2,438
Construction	1,245	6	932	2,183
Wholesale trade	1,628	51	1,712	3,391
Retail trade and accommodation	2,737	19	748	3,504
Transport, postal and warehousing	899	49	749	1,697
Finance and insurance services	920	14,246	1,697	16,863
Rental, hiring & real estate services	38,076	2,024	2,140	42,240
Professional, scientific, technical, administrative and support services	903	8	448	1,359
Public administration and safety	212	9,496	806	10,514
Health care and social assistance	1,063	23	396	1,482
Households	76,806	314	13,516	90,636
Other[1]	1,125	91	1,120	2,336
Subtotal	145,331	26,779	28,959	201,069
Overseas				
Finance and insurance services	151	10,798	272	11,221
Households	1,431	6	-	1,437
All other non-residents	602	40	-	642
Subtotal	2,184	10,844	272	13,300
Gross subtotal	147,515	37,623	29,231	214,369
Allowance for ECL	(750)	-	(110)	(860)
Subtotal	146,765	37,623	29,121	213,509
Unearned income	(32)	-	-	(32)
Capitalised brokerage and other origination costs	421	-	-	421
Maximum exposure to credit risk	147,154	37,623	29,121	213,898

1 Other includes exposures to information media and telecommunications, education and training; arts and recreation services; and other services.

REGISTERED BANK DISCLOSURES

Additional information on concentrations of funding

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

As at 31 March 2023	Note	NZ$m
Funding composition		
Customer deposits	6	130,298
Wholesale funding		
Debt issuances		18,688
Certificates of deposit and commercial paper		4,258
Other borrowings		4,867
Total wholesale funding		27,813
Total deposits and wholesale funding		158,111
Customer deposits by industry - New Zealand residents		
Agriculture, forestry and fishing		4,406
Mining		236
Manufacturing		2,701
Construction		2,893
Wholesale trade		2,507
Retail trade and accommodation		2,215
Transport, postal and warehousing		1,709
Financial and insurance services		13,237
Rental, hiring and real estate services		3,674
Professional, scientific, technical, administrative and support services		6,881
Public administration and safety		1,521
Health care and social assistance		1,354
Arts, recreation and other services		2,267
Households		72,365
Other[1]		2,714
Subtotal		120,680
Customer deposits by industry - overseas		
Households		8,830
All other non-residents		788
Subtotal		9,618
Total customer deposits		130,298
Wholesale funding (financial and insurance services industry)		
New Zealand		9,072
Overseas		18,741
Total wholesale funding		27,813
Total deposits and wholesale funding		158,111
Concentrations of funding by geography		
New Zealand		129,752
Australia		1,531
United States		10,877
Europe		9,092
Other countries		6,859
Total deposits and wholesale funding		158,111

1 Other includes electricity, gas, water and waste services; information media and telecommunications; and education and training.

Additional information on interest rate sensitivity

The following table represents 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 2023	Total NZ$m	Up to 3 months NZ$m	Over 3 to 6 months NZ$m	Over 6 to 12 months NZ$m	Over 1 to 2 years NZ$m	Over 2 years NZ$m	Not bearing interest[1] NZ$m
Assets							
Cash and cash equivalents	12,657	12,282	-	-	-	-	375
Settlement balances receivable	516	-	-	-	-	-	516
Collateral paid	576	576	-	-	-	-	-
Trading securities	5,657	1,088	208	60	292	4,009	-
Derivative financial instruments	6,354	-	-	-	-	-	6,354
Investment securities	11,211	202	397	479	306	9,826	1
Net loans and advances	147,154	62,831	16,461	26,617	31,800	10,107	(662)
Other financial assets	835	-	-	-	-	-	835
Total financial assets	184,960	76,979	17,066	27,156	32,398	23,942	7,419
Liabilities							
Settlement balances payable	3,410	1,963	-	-	-	-	1,447
Collateral received	1,056	1,056	-	-	-	-	-
Deposits and other borrowings	139,423	87,500	14,883	14,292	2,103	1,311	19,334
Derivative financial instruments	6,281	-	-	-	-	-	6,281
Debt issuances	18,688	2,213	1,765	3,226	1,874	9,610	-
Lease liabilities	207	12	11	23	43	118	-
Other financial liabilities	1,480	801	-	-	-	-	679
Total financial liabilities	170,545	93,545	16,659	17,541	4,020	11,039	27,741
Hedging instruments	-	7,783	6,801	1,239	(18,006)	2,183	-
Interest sensitivity gap	14,415	(8,783)	7,208	10,854	10,372	15,086	(20,322)

1 Excludes non-coupon bearing discount financial assets and financial liabilities which are shown as repricing on their maturity date.

Additional information on liquidity risk

Maturity analysis of financial liabilities

The table below provides residual contractual maturity analysis of financial liabilities at 31 March 2023 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 2023	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	2,702	761	-	-	-	3,463
Collateral received	-	1,056	-	-	-	1,056
Deposits and other borrowings	79,471	23,607	30,758	7,686	-	141,522
Derivative financial liabilities (trading)	-	6,179	-	-	-	6,179
Debt issuances[1]	-	535	5,655	12,614	2,211	21,015
Lease liabilities	-	13	38	143	30	224
Other financial liabilities	-	76	24	647	449	1,196
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,754	5,894	7,700	838	16,186
- gross outflows	-	(1,720)	(5,857)	(7,930)	(888)	(16,395)

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

At 31 March 2023, NZ$29,231 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.

REGISTERED BANK DISCLOSURES

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of the Banking Group's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

As at 31 March 2023	NZ$m
Central and local government bonds	7,130
Government treasury bills	1,462
Certificates of deposit	275
Other bonds	7,517
Securities eligible to be accepted as collateral in repurchase transactions	16,384
Cash and balances with central banks	10,949
Total liquidity portfolio	27,333

Assets held in the Banking Group's liquidity portfolio are all denominated in New Zealand dollars and include balances held with RBNZ and securities issued by the New Zealand Government, supranational agencies, highly rated banks state owned enterprises, local authorities (including through a funding authority) and highly rated corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ$10,613 million at 31 March 2023.

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- Between November 2020 and December 2022, RBNZ made funds available under the FLP to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR).

As at 31 March 2023, the Bank had drawn NZ$300 million under the TLF and NZ$3,500 million under the FLP. These amounts are included in securities sold under repurchase agreements in Note 6 Deposits and other borrowings.

Reconciliation of mortgage related amounts

As at 31 March 2023	Note	NZ$m
Term loans - housing[1]	4	104,324
Less: housing loans made to corporate customers		(1,307)
Add: unsettled re-purchases of mortgages from the NZ Branch		2
On-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	103,019
Add: off-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	9,273
Total residential mortgage exposures subject to the IRB approach (per LVR analysis)	B4	112,292

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

B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements included in Note 1 About our interim financial statements, Note 5 Allowance for expected credit losses and Note 8 Credit risk.

Movements in components of loss allowance – total

			Stage 3		
Net loans and advances - total	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2022	199	311	59	77	646
Transfer between stages	19	(20)	1	-	-
New and increased provisions (net of collective provision releases)	(24)	107	10	37	130
Write-backs	-	-	-	(9)	(9)
Recoveries of amounts previously written off	-	-	-	(5)	(5)
Credit impairment charge / (release)	(5)	87	11	23	116
Bad debts written-off (excluding recoveries)	-	-	-	(16)	(16)
Add back recoveries of amounts previously written off	-	-	-	5	5
Discount unwind	-	-	-	(1)	(1)
As at 31 March 2023	194	398	70	88	750
Off-balance sheet credit related commitments - total					
As at 1 October 2022	66	31	3	5	105
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of collective provision releases)	-	5	-	-	5
Credit impairment charge	2	3	-	-	5
As at 31 March 2023	68	34	3	5	110

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 2022	139,681	6,897	588	146	147,312
Net transfers in to each stage	-	4,108	180	17	4,305
Amounts drawn from new or existing facilities	22,555	718	26	53	23,352
Additions	22,555	4,826	206	70	27,657
Net transfers out of each stage	(4,305)	-	-	-	(4,305)
Amounts repaid	(21,824)	(1,112)	(145)	(52)	(23,133)
Deletions	(26,129)	(1,112)	(145)	(52)	(27,438)
Amounts written off	-	-	-	(16)	(16)
As at 31 March 2023	136,107	10,611	649	148	147,515
Loss allowance as at 31 March 2023	194	398	70	88	750
Off-balance sheet credit related commitments - total					
As at 1 October 2022	29,277	995	14	6	30,292
Net transfers in to each stage	-	53	3	-	56
New and increased facilities and drawn amounts repaid	6,023	180	3	15	6,221
Additions	6,023	233	6	15	6,277
Net transfers out of each stage	(56)	-	-	-	(56)
Reduced facilities and amounts drawn	(6,985)	(274)	(7)	(16)	(7,282)
Deletions	(7,041)	(274)	(7)	(16)	(7,338)
As at 31 March 2023	28,259	954	13	5	29,231
Loss allowance as at 31 March 2023	68	34	3	5	110

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

Overall, loss allowances are 0.49% of gross balances as at 31 March 2023, up from 0.42% as at 30 September 2022. The NZ$109 million (14.5%) increase in loss allowances was driven by an increase in the proportion of gross balances in Stage 2, partially offset by changes in the forward-looking economic scenarios as described in Note 5 Allowance for expected credit losses.

REGISTERED BANK DISCLOSURES

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 2022	63	81	32	10	186
Transfer between stages	12	(13)	1	-	-
New and increased provisions (net of collective provision releases)	(2)	50	12	2	62
Write-backs	-	-	-	(1)	(1)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge	10	37	13	1	61
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 31 March 2023	73	118	45	11	247
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2022	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge	-	-	-	-	-
As at 31 March 2023	-	-	-	-	-

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 2022	99,203	2,963	392	15	102,573
Net transfers in to each stage	-	1,712	161	7	1,880
Amounts drawn from new or existing facilities	9,286	147	8	3	9,444
Additions	9,286	1,859	169	10	11,324
Net transfers out of each stage	(1,880)	-	-	-	(1,880)
Amounts repaid	(8,707)	(286)	-	(5)	(8,998)
Deletions	(10,587)	(286)	-	(5)	(10,878)
Amounts written off	-	-	-	-	-
As at 31 March 2023	97,902	4,536	561	20	103,019
Loss allowance as at 31 March 2023	73	118	45	11	247
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2022	9,049	58	1	-	9,108
Net transfers in to each stage	-	19	-	-	19
New and increased facilities and drawn amounts repaid	1,800	7	-	-	1,807
Additions	1,800	26	-	-	1,826
Net transfers out of each stage	(19)	-	-	-	(19)
Reduced facilities and amounts drawn	(1,631)	(11)	-	-	(1,642)
Deletions	(1,650)	(11)	-	-	(1,661)
As at 31 March 2023	9,199	73	1	-	9,273
Loss allowance as at 31 March 2023	-	-	-	-	-

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

The NZ$61 million (32.8%) increase in loss allowances on residential mortgage exposures is primarily driven by an increase in the proportion of gross balances in Stage 2 and Stage 3. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80% (refer to page 38).

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 2022	10	43	17	5	75
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(1)	5	3	15	22
Write-backs	-	-	-	(2)	(2)
Recoveries of amounts previously written off	-	-	-	(4)	(4)
Credit impairment charge	2	2	3	9	16
Bad debts written-off (excluding recoveries)	-	-	-	(14)	(14)
Add back recoveries of amounts previously written off	-	-	-	4	4
Discount unwind	-	-	-	-	-
As at 31 March 2023	12	45	20	4	81
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2022	13	10	3	-	26
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of collective provision releases)	(2)	2	-	-	-
Credit impairment charge	-	-	-	-	-
As at 31 March 2023	13	10	3	-	26

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 2022	2,194	111	31	8	2,344
Net transfers in to each stage	-	14	9	1	24
Amounts drawn from new or existing facilities	244	7	2	15	268
Additions	244	21	11	16	292
Net transfers out of each stage	(24)	-	-	-	(24)
Amounts repaid	(262)	(7)	-	(2)	(271)
Deletions	(286)	(7)	-	(2)	(295)
Amounts written off	-	-	-	(14)	(14)
As at 31 March 2023	2,152	125	42	8	2,327
Loss allowance as at 31 March 2023	12	45	20	4	81
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2022	4,759	27	10	-	4,796
Net transfers in to each stage	-	6	3	-	9
New and increased facilities and drawn amounts repaid	456	5	1	-	462
Additions	456	11	4	-	471
Net transfers out of each stage	(9)	-	-	-	(9)
Reduced facilities and amounts drawn	(552)	(8)	(4)	-	(564)
Deletions	(561)	(8)	(4)	-	(573)
As at 31 March 2023	4,654	30	10	-	4,694
Loss allowance as at 31 March 2023	13	10	3	-	26

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

The NZ$6 million (5.9%) increase in loss allowances is primarily driven by an increase in the proportion of gross balances in Stage 2 and Stage 3, partially offset by changes in the forward-looking economic scenarios as described in Note 5 Allowance for expected credit losses.

REGISTERED BANK DISCLOSURES

Movements in components of loss allowance - corporate exposures[1]

			Stage 3		
Net loans and advances - corporate exposures	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2022	126	187	10	62	385
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of collective provision releases)	(21)	52	(5)	20	46
Write-backs	-	-	-	(6)	(6)
Recoveries of amounts previously written off	-	-	-	(1)	(1)
Credit impairment charge / (release)	(17)	48	(5)	13	39
Bad debts written-off (excluding recoveries)	-	-	-	(2)	(2)
Add back recoveries of amounts previously written off	-	-	-	1	1
Discount unwind	-	-	-	(1)	(1)
As at 31 March 2023	109	235	5	73	422
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2022	53	21	-	5	79
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	2	3	-	-	5
Credit impairment charge	2	3	-	-	5
As at 31 March 2023	55	24	-	5	84

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 2022	38,284	3,823	165	123	42,395
Net transfers in to each stage	-	2,382	10	9	2,401
Amounts drawn from new or existing facilities	13,025	564	16	35	13,640
Additions	13,025	2,946	26	44	16,041
Net transfers out of each stage	(2,401)	-	-	-	(2,401)
Amounts repaid	(12,855)	(819)	(145)	(45)	(13,864)
Deletions	(15,256)	(819)	(145)	(45)	(16,265)
Amounts written off	-	-	-	(2)	(2)
As at 31 March 2023	36,053	5,950	46	120	42,169
Loss allowance as at 31 March 2023	109	235	5	73	422
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2022	15,469	910	3	6	16,388
Net transfers in to each stage	-	28	-	-	28
New and increased facilities and drawn amounts repaid	3,767	168	2	15	3,952
Additions	3,767	196	2	15	3,980
Net transfers out of each stage	(28)	-	-	-	(28)
Reduced facilities and amounts drawn	(4,802)	(255)	(3)	(16)	(5,076)
Deletions	(4,830)	(255)	(3)	(16)	(5,104)
As at 31 March 2023	14,406	851	2	5	15,264
Loss allowance as at 31 March 2023	55	24	-	5	84

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.

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

The NZ$42 million (9.1%) increase in loss allowances is driven by an increase in the proportion of gross balances in Stage 2, partially offset by changes in the forward-looking economic scenarios as described in Note 5 Allowance for expected credit losses.

Past due assets and other asset quality information

As at 31 March 2023	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	610	91	354	1,055
At least 30 days but less than 60 days past due	345	13	210	568
At least 60 days but less than 90 days past due	155	6	5	166
At least 90 days past due	462	21	17	500
Total past due but not individually impaired	1,572	131	586	2,289

Other asset quality information				
Undrawn facilities with individually impaired customers	-	-	5	5
Other assets under administration	3	1	-	4

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

REGISTERED BANK DISCLOSURES

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

RBNZ capital ratios

	RBNZ minimum		Banking Group		Bank (Solo Consolidated)	
As at 31 March	2023	2022	2023	2022	2023	2022
Common equity tier 1 capital	4.5%	4.5%	12.2%	12.4%	12.0%	12.2%
Tier 1 capital	6.0%	6.0%	13.8%	14.5%	13.6%	14.3%
Total capital	8.0%	8.0%	15.2%	15.1%	15.0%	14.9%
Prudential capital buffer ratio	3.5%	2.5%	7.2%	7.1%	n/a	n/a

Capital

As at 31 March 2023	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]	5,416
Accumulated other comprehensive income and other disclosed reserves[2]	19
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,096)
Deferred tax assets less deferred tax liabilities relating to temporary differences	(378)
Cash flow hedge reserve	(26)
Defined benefit superannuation plan surplus	(15)
Expected losses to the extent greater than total eligible allowances for impairment	(42)
Common equity tier 1 capital	13,466
Additional tier 1 (AT1) capital	
NZD 550m preference shares[3]	550
Transitional AT1 capital instruments	
NZD 300m preference shares[3]	300
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)[4]	938
Additional tier 1 capital	1,788
Total tier 1 capital	15,254
Tier 2 capital	
NZD 600m subordinated notes[4]	600
USD 500m subordinated notes[4]	796
Eligible impairment allowance in excess of expected loss	125
Tier 2 capital	1,521
Total capital	16,775

1 Includes a deduction for dividends on AT1 capital instruments approved by the Bank's board, but not yet paid as at 31 March 2023, as required by BPR110 *Capital Definitions*. These dividends are not recognised under NZ GAAP because the payment of the dividends remains at the Bank's discretion until payment is made.
2 Includes the cash flow hedging reserve of NZ$26 million less the FVOCI reserve of NZ$7 million as at 31 March 2023.
3 Classified as equity on the balance sheet under NZ GAAP.
4 Classified as a liability on the balance sheet under NZ GAAP.

Capital requirements of the Banking Group

As at 31 March 2023	Total exposure after credit risk mitigation NZ$m	Risk weighted exposure or implied risk weighted exposure NZ$m	Total capital requirement NZ$m
Exposures subject to internal ratings based approach	165,158	52,360	4,189
Specialised lending exposures subject to slotting approach	13,111	13,912	1,113
Exposures subject to standardised approach	35,008	4,357	349
Credit risk supervisory adjustment	n/a	22,616	1,809
Output floor balancing item	n/a	-	-
Total credit risk	213,277	93,245	7,460
Market risk	n/a	5,605	448
Operational risk, calculated using the standardised approach	n/a	11,565	925
Total	n/a	110,415	8,833

Capital structure

Ordinary shares– CET1 capital

Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Bank, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: on a show of hands, one vote; and on a poll, one vote, for each share held.

Preference shares – AT1 capital instruments

Preference shares do not carry any voting rights. They 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.

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 AT1 capital notes, in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

There are two classes of preference shares: preference shares issued in 2013 and perpetual preference shares issued in 2022.

2022 preference shares – NZD 550 million

Perpetual preference shares (PPS) are issued to parties outside of the Overseas Banking Group. As at 31 March 2023, the PPS carried a BBB credit rating from S&P Global Ratings. The key terms of the PPS are as follows:

PPS dividends are payable at the discretion of the Directors of the Bank and are non-cumulative. The Bank must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares until the next PPS dividend payment date if a PPS dividend is not paid.

Should the Bank elect to pay a PPS dividend, the PPS dividend is 6.95% per annum until 18 July 2028 and a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed) thereafter, with PPS dividend payments scheduled to be paid on 18 January, 18 April, 18 July and 18 October each year.

Holders of PPS have no right to require that the PPS be redeemed. The Bank may at its option redeem all of the PPS on an optional redemption date (each PPS dividend payment date from 18 July 2028); or at any time following the occurrence of a tax event or regulatory event, in each case subject to prior written approval of RBNZ and other conditions being met.

Transitional AT1 capital instruments

RBNZ has revised its capital adequacy requirements for New Zealand banks, which are being implemented from October 2021 to July 2028. Under the revised requirements, the AT1 capital notes and 2013 preference shares are subject to a progressive reduction in their regulatory capital recognition. Fixing the base at the aggregate nominal amount of such instruments outstanding as at 30 September 2021 (NZ$2,741 million), their aggregate recognition is capped at 75% from 1 January 2023; 62.5% from 1 January 2024; 50% from 1 January 2025; 37.5% from 1 January 2026; 25% from 1 January 2027; 12.5% from 1 January 2028; and from 1 July 2028 onwards these instruments will not be included in regulatory capital.

The Bank has determined that a regulatory event has occurred in respect of these transitional AT1 capital instruments. The occurrence of a regulatory event means that the Bank may choose to redeem the transitional AT1 capital instruments at its discretion. Any redemption of the transitional AT1 capital instruments is subject to certain conditions, including prior written approval of RBNZ. As at 8 May 2023, no decision has been made on whether the Bank will redeem the transitional AT1 capital instruments that were outstanding at 31 March 2023.

2013 preference shares – NZD 300 million

The 2013 preference shares (PS) are issued to the Immediate Parent Company. The key terms of the PS are as follows:

PS 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 PS dividend payment date if a PS dividend is not paid.

Should the Bank elect to pay a PS dividend, the PS dividend is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PS dividend is fully imputed), with PS dividend payments due on 1 March and 1 September each year.

The PS are redeemable, subject to prior written approval of RBNZ. The PS may be redeemed for nil consideration should a non-viability trigger event occur.

AT1 capital notes

AT1 capital notes are fully paid convertible non-cumulative perpetual subordinated notes. Holders of AT1 capital notes do not have any right to vote in general meetings of the Bank.

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.

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 a redemption option on specified dates and a redemption or conversion option in certain other circumstances. Redemption is subject to RBNZ's prior written approval.

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) if:

- the Banking Group's 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.

NZ$1,003 million of AT1 capital notes were redeemed on 24 March 2023.

The table below shows the key details of the AT1 capital notes on issue at 31 March 2023:

	ANZ NZ ICN2
Issue date	15 June 2016
Issue amount	NZ$938 million
Face value	NZ$100
Interest frequency	Semi-annually in arrears
Interest rate	Floating rate: (New Zealand 6 month Bank Bill rate + 6.29%)
Issuer's early redemption option	15 June 2026 and each 5th anniversary
Mandatory conversion date	n/a
Common equity capital trigger event	Yes
Non-viability trigger event	Yes

Tier 2 capital

Tier 2 capital notes are fully paid unsecured subordinated notes. Interest payments are subject to the Bank being solvent at the time of, and immediately following, the payment. Unpaid interest accumulates, and will be paid at the earlier of when the Bank is solvent again or at maturity. The Bank may repay the notes early on the dates specified below, or in certain other circumstances (such as a tax or regulatory event). Early repayment is subject to certain conditions, including approval from RBNZ.

Currency	Face value	Issue date	Maturity	Next optional call date - subject to RBNZ's approval	Interest rate	Interest reset date	Credit rating[2]	31 Mar 23 NZ$m
NZD	600m	Sep 2021	Sep 2031	Sep 2026	2.999%	Sep 2026	A-	595
USD	500m	Aug 2022	Aug 2032	Aug 2027	5.548%	Aug 2027	A-	765
Total Tier 2 capital[1]								1,360

1 Carrying amounts are net of issuance costs and fair value hedging adjustments.
2 Credit rating assigned by S&P Global Ratings.

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

IRB credit exposures by exposure class and customer credit rating

As at 31 March 2023	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	0.05	67,323	7,812	59	29	2,698	216
3 - 4	0.32	55,058	23,907	37	40	11,611	929
5	1.01	10,975	9,466	32	54	6,112	489
6	2.21	3,075	2,841	34	75	2,573	206
7 - 8	14.88	2,791	900	39	164	1,768	141
Default	100.00	187	189	36	94	211	17
Total corporate exposures[1]	1.25	139,409	45,115	39	46	24,973	1,998
Residential mortgages							
0 - 3	0.20	42,229	42,631	12	5	2,672	214
4	0.45	45,536	45,660	19	16	8,509	681
5	0.90	21,198	21,264	23	31	8,009	641
6	1.99	2,663	2,667	25	59	1,897	152
7 - 8	4.82	126	126	26	94	142	11
Default	100.00	540	540	15	6	39	2
Total residential mortgages exposures[2]	0.95	112,292	112,888	18	16	21,268	1,701
Other retail							
0 - 2	0.10	516	519	77	49	308	25
3 - 4	0.26	4,195	4,272	78	56	2,857	229
5	1.11	1,030	1,034	78	84	1,039	83
6	2.81	548	573	83	108	744	59
7 - 8	8.22	686	712	87	135	1,152	92
Default	100.00	46	45	81	37	19	2
Total other retail exposures	2.00	7,021	7,155	79	71	6,119	490
Total credit risk exposures subject to the IRB approach[3]	1.08	258,722	165,158	26	26	52,360	4,189

1 The credit risk supervisory adjustment on page 35 includes NZ$6,555 million of RWA for corporate exposures. This increases the pre-scalar IRB exposure–weighted risk weight to 58% and the minimum capital requirement to NZ$2,522 million.
2 The credit risk supervisory adjustment on page 35 includes NZ$16,061 million of RWA for residential mortgage exposures. This increases the pre-scalar IRB exposure-weighted risk weight to 28% and the minimum capital requirement to NZ$2,986 million.
3 The credit risk supervisory adjustment on page 35 totals NZ$22,616 million of RWA. This increases the pre-scalar IRB exposure-weighted risk weight to 38% and the related minimum capital requirement to NZ$5,998 million.

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

As at 31 March 2023	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet contingent liabilities		
Corporate	12,133	11,451
Residential mortgages	9,273	9,723
Other retail	4,694	4,768
Counterparty credit risk on derivatives and securities financing transactions		
Corporate	94,495	1,292
Total	120,595	27,234

REGISTERED BANK DISCLOSURES

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 2023	On-balance sheet NZ$m	Off-balance sheet NZ$m	Total NZ$m
LVR range			
Does not exceed 60%	57,118	6,983	64,101
Exceeds 60% and not 70%	19,520	1,034	20,554
Exceeds 70% and not 80%	19,963	964	20,927
Does not exceed 80%	96,601	8,981	105,582
Exceeds 80% and not 90%	4,783	112	4,895
Exceeds 90%	1,635	180	1,815
Total	103,019	9,273	112,292

Specialised lending subject to the slotting approach

As at 31 March 2023	Exposures after credit risk mitigation NZ$m	Risk weight %	Risk weighted assets NZ$m	Minimum capital requirement NZ$m
On-balance sheet exposures				
Strong	6,230	70	5,233	419
Good	4,245	90	4,585	367
Satisfactory	892	115	1,231	98
Weak	612	250	1,836	147
Default	54	-	-	-
Off-balance sheet exposures by average risk weight				
Undrawn commitments and other off-balance sheet exposures	1,078	79	1,027	82
Total exposures subject to the slotting approach	13,111	88	13,912	1,113

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 2023	Exposure or principal amount NZ$m	Average credit conversion factor %	Exposure after credit risk mitigation NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum capital requirement NZ$m
On-balance sheet exposures						
Cash and gold bullion			183	-	-	-
Sovereign and central banks			20,530	-	-	-
Multilateral development banks and other international organisations			4,359	-	-	-
Public sector entities			1,350	20	270	22
Banks			1,539	47	730	58
Corporate			78	107	83	7
Past due assets			-	-	-	-
Other assets			1,272	100	1,272	102
Equity exposures						
Unlisted equity holdings			1	400	5	-
Off-balance sheet exposures						
Total off-balance sheet exposures	2,017	55	1,106	51	569	46
Counterparty credit risk						
Foreign exchange contracts	219,561	n/a	2,912	23	678	54
Interest rate contracts	1,208,703	n/a	1,309	9	122	10
Other	3,053	n/a	369	30	111	9
Credit valuation adjustment	n/a	n/a	n/a	n/a	517	41
Total exposures subject to the standardised approach			35,008	12	4,357	349

Credit valuation adjustment

The IRB and standardised tables above include an aggregate Credit Valuation Adjustment (CVA) capital charge of NZ$71 million, and aggregate implied risk weighted exposures for the CVA of NZ$888 million.

Credit risk mitigation

As at 31 March 2023, under the IRB approach, the Banking Group had NZ$355 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 value of other 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.

Effect of standardised floor on total risk-weighted exposures for credit risk

	Risk weighted assets	
As at 31 March 2023	Calculated for compliance purposes NZ$m	Calculated using standardised approach NZ$m
Exposures subject to the IRB or slotting approaches[1]	66,272	96,998
Credit risk supervisory adjustment[1]	22,616	n/a
Subtotal[1]	88,888	96,998
Standardised floor at 85% of standardised RWA	n/a	82,448
Output floor adjusting item	-	n/a
IRB and slotting RWA with standardised floor applied	88,888	82,448
Exposures subject to the standardised approach	4,357	
Total credit risk	93,245	

1 RWA calculated for compliance purposes includes a scalar of 1.2 as required by BPR 130 *Credit Risk RWAs Overview*.

In accordance with BPR 130 *Credit Risk RWAs Overview*, IRB and slotting RWA with standardised floor applied is calculated as the greater of RWA for compliance purposes, and 85% of the total RWA for such exposures calculated using the standardised approach.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BPR140: *Market Risk*. The peak end-of-day market risk exposures are for the six months ended 31 March 2023.

	Implied risk weighted exposure		Aggregate capital charge	
	Period end	Peak	Period end	Peak
As at 31 March 2023	NZ$m	NZ$m	NZ$m	NZ$m
Interest rate risk	5,565	6,577	445	526
Foreign currency risk	39	94	3	8
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 fixed asset risk and deferred acquisition cost risk. As at 31 March 2023, the Banking Group's internal capital allocation for these other material risks is NZ$292 million (March 2022: NZ$326 million).

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	2023	2022	2023	2022
Common equity tier 1 capital	13.2%	11.5%	12.9%	11.1%
Tier 1 capital	15.1%	13.2%	15.2%	13.1%
Total capital	20.6%	16.6%	21.6%	17.1%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA's capital framework, which is at least equal to that specified under the internationally agreed Basel III framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Internal Ratings Based (IRB) methodology for calculation of credit risk weighted assets. Where the Overseas Banking Group is not accredited to use the IRB methodology the Overseas Banking Group applies the standardised approach.
- the Standardised Measurement Approach (SMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 31 March 2023 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2023. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2023, 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 75% of a bank's total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum on a daily basis. This measure of the core funding ratio is averaged over the quarter.

For the three months ended	31 Mar 23	31 Dec 22
Quarterly average 1-week mismatch ratio	9.3%	9.2%
Quarterly average 1-month mismatch ratio	7.7%	8.1%
Quarterly average core funding ratio	91.4%	92.0%

B5. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The Banking Group measures its concentration of credit exposures 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 (i.e. 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 23	Peak end of day over 6 months to 31 Mar 23
Exposures to banks		
Total number of exposures to banks that are greater than 10% of CET1 capital	-	-
with a long-term credit rating of A- or A3 or above, or its equivalent	-	-
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 capital	1	2
with a long-term credit rating of A- or A3 or above, or its equivalent	1	2
- 10% to less than 15% of CET1 capital	1	2
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

As at 31 March 2023, the Banking Group does not conduct any insurance business.

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 2023, after due enquiry, each Director believes that:

- The Bank has complied in all material respects with each condition of registration that applied during that period[1];
- Credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- The Bank 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.

1. In accordance with the Order, the Bank has complied in all material respects with each of its conditions of registration that applied during the period if the RBNZ has not published any information about a breach on its website, and has not notified the Bank of any material breach.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 8 May 2023.

Shayne Elliott

Gerard Florian

Alison Gerry

Rt Hon Sir John Key, GNZM AC

Scott St John

Mark Tume

Antonia Watson

Joan Withers

LIMITED ASSURANCE REPORTS

INDEPENDENT AUDITOR'S REPORTS ON THE REGISTERED BANK DISCLOSURES

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

REVIEW REPORT ON THE REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5 AND B6

CONCLUSION

We have completed a review of the accompanying registered bank disclosures of ANZ Bank New Zealand Limited (the Bank) and its subsidiaries (the Banking Group) in sections B2, B3, B5 and B6 on pages 24 to 33 and 41. These comprise the information that is required to be disclosed in accordance with schedules 5, 7, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the Order).

Based on our review, nothing has come to our attention that causes us to believe that the registered bank disclosures in sections B2, B3, B5 and B6:

- do not present fairly, in all material respects, the matters to which they relate; or
- are not disclosed, in all material respects, in accordance with schedules 5, 7, 13, 16 and 18 of the Order.

BASIS FOR CONCLUSION

A review of the registered bank disclosures in sections B2, B3, B5 and B6 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 the Banking Group, 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.

USE OF THIS INDEPENDENT REVIEW REPORT

This independent review report is made solely to the Bank's shareholder. 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE REGISTERED BANK DISCLOSURES IN SECTIONS B1, B2, B3, B5 AND B6

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the registered bank disclosures in accordance with schedules 3, 5, 7, 13, 16 and 18 of the Order; and
- implementing necessary internal control to enable the preparation of registered bank disclosures that free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5 AND B6

Our responsibility is to express a conclusion on the registered bank disclosures in sections B2, B3, B5 and B6 based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the registered bank disclosures in sections B2, B3, B5 and B6:

- do not present fairly, in all material respects, the matters to which they relate; or
- are not disclosed, in all material respects, in accordance with schedules 5, 7, 13, 16 and 18 of the Order; or
- if applicable, have not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements, imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989 (the Bank does not have any such conditions).

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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the registered bank disclosures in sections B2, B3, B5 and B6.

KPMG

KPMG
Auckland

8 May 2023

LIMITED ASSURANCE REPORTS

LIMITED ASSURANCE REPORT ON THE CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS DISCLOSURES IN SECTION B4

CONCLUSION

We have reviewed the capital adequacy and regulatory liquidity ratios disclosures in section B4 on pages 34 to 40 (the Capital Adequacy and Liquidity Disclosures), which comprise the information that is required to be disclosed in accordance with schedule 11 of the Order.

Based on our limited assurance conclusion, which is not a reasonable assurance engagement or audit, nothing has come to our attention that would lead us to believe that the Capital Adequacy and Liquidity Disclosures are not, in all material respects disclosed in accordance with schedule 11 of the Order.

STANDARDS WE FOLLOWED

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the Capital Adequacy and Liquidity Disclosures are free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

HOW TO INTERPRET LIMITED ASSURANCE AND MATERIAL MISSTATEMENT AND NON-COMPLIANCE

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material misstatement and non-compliance with schedule 11 of the Order is likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the Capital Adequacy and Liquidity Disclosures and non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Capital Adequacy and Liquidity Disclosures.

INHERENT LIMITATIONS

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

USE OF THIS INDEPENDENT LIMITED ASSURANCE REPORT

This independent limited assurance report is made solely to the Bank's shareholder. Our assurance work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the shareholder for our assurance work, for this independent limited assurance report, and/or for any of the conclusions we have reached.

DIRECTOR'S RESPONSIBILITY FOR THE CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES

The Directors are responsible for the preparation of the Capital Adequacy and Liquidity Disclosures that are required to be disclosed in accordance with schedule 11 of the Order, which the Directors have determined to meet the needs of the recipients. This responsibility includes such internal control as the Directors determine is necessary to enable the preparation of the Capital Adequacy and Liquidity Disclosures that are free from material misstatement and non-compliance whether due to fraud or error.

OUR RESPONSIBILITY FOR THE CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES

Our responsibility is to express a conclusion on whether anything has come to our attention that the Capital Adequacy and Liquidity Disclosures have not, in all material respects, been disclosed in accordance with schedule 11 of the Order for the six-month period ended 31 March 2023.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 assurance providers of the Banking Group for this engagement. The firm has no other relationship with, or interest in, the Banking Group.

KPMG

KPMG
Auckland

8 May 2023

anz.co.nz

ANZ BANK NEW ZEALAND LIMITED
ANNUAL REPORT AND REGISTERED BANK DISCLOSURE STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022
NUMBER 98 | ISSUED NOVEMBER 2022

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ANNUAL REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Bank has agreed that the Annual Report of the Banking Group need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year ended 30 September 2022 and the audit report on those financial statements.

For and on behalf of the Board of Directors:

Rt Hon Sir John Key, GNZM AC
Chair
11 November 2022

Antonia Watson
Executive Director
11 November 2022

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.

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.

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FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 30 September	Note	2022 NZ$m	2021 NZ$m
Interest income		5,811	4,600
Interest expense		(2,035)	(1,176)
Net interest income	2	3,776	3,424
Other operating income	2	1,087	765
Operating income		4,863	4,189
Operating expenses	3	(1,653)	(1,621)
Profit before credit impairment and income tax		3,210	2,568
Credit impairment release / (charge)	12	(39)	114
Profit before income tax		3,171	2,682
Income tax expense	4	(882)	(743)
Profit for the year		2,289	1,939

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2022 NZ$m	2021 NZ$m
Profit for the year	2,289	1,939
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain on defined benefit schemes	10	56
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised losses recognised directly in equity	(3)	(75)
Realised losses / (gains) transferred to the income statement	(28)	8
Income tax attributable to the above items	6	3
Other comprehensive income after tax	(15)	(8)
Total comprehensive income for the year	2,274	1,931

The notes appearing on pages 8 to 67 form an integral part of these financial statements

BALANCE SHEET

As at 30 September	Note	2022 NZ$m	2021 NZ$m
Assets			
Cash and cash equivalents	7	12,575	7,844
Settlement balances receivable		785	237
Collateral paid		1,672	537
Trading securities	8	7,228	9,585
Derivative financial instruments	9	15,481	9,304
Investment securities	10	11,357	11,926
Net loans and advances	11	147,067	140,756
Deferred tax assets	4	362	390
Goodwill and other intangible assets	19	3,099	3,091
Premises and equipment		450	509
Other assets		1,058	590
Total assets		201,134	184,769
Liabilities			
Settlement balances payable		4,933	2,704
Collateral received		1,962	738
Deposits and other borrowings	13	139,642	133,139
Derivative financial instruments	9	13,785	7,727
Current tax liabilities		310	170
Payables and other liabilities		1,345	1,464
Employee entitlements		128	138
Other provisions	20	222	295
Debt issuances	14	21,023	21,502
Total liabilities		183,350	167,877
Net assets		17,784	16,892
Shareholders' equity			
Share capital	21	12,438	11,888
Reserves	21	48	70
Retained earnings	21	5,298	4,934
Total shareholders' equity	21	17,784	16,892

For and on behalf of the Board of Directors:

Rt Hon Sir John Key, GNZM AC
Chair
11 November 2022

Antonia Watson
Executive Director
11 November 2022

The notes appearing on pages 8 to 67 form an integral part of these financial statements

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the year ended 30 September	2022 NZ$m	2021 NZ$m
Profit after income tax	**2,289**	1,939
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortisation	**125**	124
Loss on sale and impairment of premises and equipment	**4**	7
Net derivatives/foreign exchange adjustment	**633**	(940)
Other non-cash movements	**(42)**	151
Net (increase)/decrease in operating assets:		
Collateral paid	**(1,135)**	857
Trading securities	**2,357**	3,212
Net loans and advances	**(6,311)**	(8,058)
Other assets	**(988)**	113
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	**5,003**	6,778
Settlement balances payable	**2,229**	(246)
Collateral received	**1,224**	(537)
Other liabilities	**(29)**	205
Total adjustments	**3,070**	1,666
Net cash flows from operating activities[1]	**5,359**	3,605
Cash flows from investing activities		
Investment securities:		
Purchases	**(3,898)**	(5,528)
Proceeds from sale or maturity	**3,839**	2,833
Other assets	**(65)**	(39)
Net cash flows from investing activities	**(124)**	(2,734)
Cash flows from financing activities		
Deposits and other borrowings[2]	**1,500**	1,300
Debt issuances:[3]		
Issue proceeds	**3,452**	3,278
Redemptions	**(4,028)**	(4,899)
Proceeds from issue of preference shares	**542**	-
Repayment of lease liabilities	**(46)**	(46)
Dividends paid	**(1,924)**	(908)
Net cash flows from financing activities	**(504)**	(1,275)
Net change in cash and cash equivalents	**4,731**	(404)
Cash and cash equivalents at beginning of year	**7,844**	8,248
Cash and cash equivalents at end of year	**12,575**	7,844

1 Net cash provided by operating activities includes income taxes paid of NZ$708 million (2021: NZ$884 million).
2 Movement in deposits and other borrowings includes repurchase transactions entered into with RBNZ under the Funding for Lending Programme of NZ$1,500 million (2021: NZ$1,000 million under the Funding for Lending Programme and NZ$300 million under the Term Lending Facility).
3 Movement in debt issuances (Note 14 debt issuances) also includes a NZ$1,631 million increase (2021: NZ$958 million decrease) from the effect of foreign exchange rates, a NZ$1,550 million decrease (2021: NZ$398 million decrease) from changes in fair value hedging instruments and a NZ$16 million increase (2021: NZ$40 million increase) from other changes.

The notes appearing on pages 8 to 67 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ$m	Reserves NZ$m	Retained earnings NZ$m	Total shareholders' equity NZ$m
As at 1 October 2020	11,888	118	3,863	15,869
Profit for the year	-	-	1,939	1,939
Other comprehensive income for the year	-	(48)	40	(8)
Total comprehensive income for the year	-	(48)	1,979	1,931
Transactions with equity holders in their capacity as equity owners:				
Ordinary dividends paid	-	-	(900)	(900)
Preference dividends paid	-	-	(8)	(8)
As at 30 September 2021	11,888	70	4,934	16,892
Profit for the year	-	-	2,289	2,289
Other comprehensive income for the year	-	(22)	7	(15)
Total comprehensive income for the year	-	(22)	2,296	2,274
Transactions with equity holders in their capacity as equity owners:				
Ordinary dividends paid	-	-	(1,915)	(1,915)
Preference shares issued (net of issue costs)	550	-	(8)	542
Preference dividends paid	-	-	(9)	(9)
As at 30 September 2022	12,438	48	5,298	17,784

The notes appearing on pages 8 to 67 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for ANZ Bank New Zealand Limited (the Bank) and its controlled entities (together, the 'Banking Group') for the year ended 30 September 2022. The Bank is incorporated and domiciled in New Zealand. The address of the Bank's registered office and its principal place of business is ANZ Centre, 23-29 Albert Street, Auckland, New Zealand.

On 11 November 2022, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Banking Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Banking Group's business during the period – for example: business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Banking Group's operations that is important to its future performance (qualitative factor); or
- the information is required under legislative requirements of the Financial Markets Conduct Act 2013 or by the Banking Group's principal regulator, RBNZ.

This section of the financial statements:

- outlines the basis upon which the Banking Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

These financial statements are general purpose (Tier 1) financial statements prepared by a 'for profit' entity, in accordance with the requirements of the Financial Markets Conduct Act 2013. These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

We present the financial statements of the Banking Group in New Zealand dollars, which is the Banking Group's functional and presentation currency. We have rounded values to the nearest million dollars (NZ$m), unless otherwise stated.

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except for the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments;
- financial instruments measured at fair value through other comprehensive income (FVOCI); and
- financial instruments measured at fair value through profit and loss.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Banking Group when we determine that the Banking Group has control over the entity. Control exists when the Banking Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Banking Group the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Banking Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at FVOCI, translation differences are included in other comprehensive income.

FIDUCIARY ACTIVITIES

The Banking Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Banking Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If the Banking Group is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Banking Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Whilst the course of the COVID-19 pandemic is moderating and the management of its impact on the populace, businesses and economic activity is better understood, the responses of consumers, business and governments remain uncertain. Compounding the effects of the pandemic are mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, commodity price pressures, and increasing inflation and interest rates impacting the economy. Thus, there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Banking Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2022 about future events considered reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further in the relevant notes of these financial statements. Readers should consider these disclosures in light of the inherent uncertainties described above.

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs) have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. The IBOR reforms have a wide-ranging impact for the Banking Group and our customers given the fundamental differences between IBORs and risk-free rates (RFRs). The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate transition on an economically comparable basis.

Update on the Banking Group's approach to interest rate benchmark reform

In line with the regulatory announcements made in 2021, the majority of IBOR rates, including Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF), Japanese Yen (JPY), and the US Dollar (USD) 1-week and 2-month LIBOR rate settings ceased on 31 December 2021 and have been replaced by alternative RFRs. This transition had an immaterial impact to the Banking Group's profit and loss. Through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities the Banking Group continues to have exposure to the remaining US dollar LIBOR settings and other IBOR-related benchmarks that are due to largely cease by 30 June 2023.

The Banking Group continues to manage the transition from the remaining US dollar LIBOR tenors and other remaining IBOR settings to RFRs through a Benchmark Transition Programme (the programme). The programme is responsible for managing the risks associated with the transition including operational, market, legal, conduct and financial reporting risks that may arise.

Exposures subject to benchmark reform as at 30 September 2022

The table below shows the Banking Group's exposures to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

As at 30 September 2022	US dollar LIBOR NZ$m
Loan and advances[1]	39
Derivative asset (notional value)[2]	72,878
Derivative liability (notional value)[2]	72,059
Loan commitments[1,3]	169

1 Excludes expected credit losses (ECL).
2 For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Banking Group discloses the New Zealand dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Banking Group discloses the notional amount of the receive leg.
3 For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the pricing currency of the facility or where there are multiple pricing currencies impacted by cessation, the most likely currency of drawdown.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

Hedge accounting exposures subject to IBOR reform

The Banking Group has hedge-accounted relationships referencing US dollar LIBOR, primarily due to the Banking Group's fixed rate debt issuances denominated in US dollars that are designated in fair value hedge accounting relationships. The table below details the carrying values of the Banking Group's US dollar exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform. The nominal value of the associated hedging instruments is also included:

Hedged items	As at 30 September 2022 NZ$m
Debt issuances	6,950

Hedging instruments	Notional designated up to 30 June 2023 NZ$m	Notional designated beyond 30 June 2023 NZ$m	Total notional amount NZ$m
Fair value hedges	1,312	6,210	7,522

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

There were no new accounting standards or interpretations adopted in 2022 that had a significant effect on the Banking Group. Accounting policies have been consistently applied unless otherwise noted.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2022, and have not been applied by the Banking Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both 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 *Financial Instruments: Recognition and Measurement* (NZ IAS 39) hedge accounting requirements until the IASB's ongoing project on macro hedge accounting is completed. The Banking Group continues to apply the hedge accounting requirements of NZ IAS 39.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

Amendments to New Zealand Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends NZ IAS 12 *Income Taxes* and clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may include transactions such as leases and decommissioning or restoration obligations. This amendment is effective for the Banking Group from 1 October 2023 and is not expected to have a significant impact.

2. OPERATING INCOME

	2022 NZ$m	2021 NZ$m
Net interest income		
Interest income by type of financial asset		
Financial assets at amortised cost	5,489	4,355
Trading securities	149	106
Investment securities	173	139
Interest income	5,811	4,600
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(1,927)	(1,148)
Financial liabilities designated at fair value through profit or loss	(108)	(28)
Interest expense	(2,035)	(1,176)
Net interest income	3,776	3,424
Other operating income		
(i) Fee and commission income		
Lending fees	25	30
Non-lending fees	731	678
Commissions	32	35
Funds management income	253	271
Fee and commission income	1,041	1,014
Fee and commission expense	(502)	(459)
Net fee and commission income	539	555
(ii) Other income		
Net foreign exchange earnings and other financial instruments income[1]	525	179
Loss on sale of mortgages to the NZ Branch	(2)	-
Sale of legacy insurance portfolio[2]	-	14
Release of provisions for UDC Finance Ltd and Paymark Ltd disposal costs	14	-
Other	11	17
Other income	548	210
Other operating income	1,087	765
Operating income	4,863	4,189

1 Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
2 The Bank sold and transferred its rights and obligations relating to servicing a legacy portfolio of insurance underwritten by Tower Limited (Tower) to Tower in March 2021.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest income and expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at FVOCI and at fair value through profit or loss. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at FVOCI. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

OTHER OPERATING INCOME

Fee and commission income

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product.
- non-lending fees include fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Banking Group provides multiple goods or services to a customer under the same contract, the Banking Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Banking Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission it retains as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered.

Net foreign exchange earnings and other financial instruments income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges and cash flow hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments to items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the FVOCI reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

3. OPERATING EXPENSES

	2022 NZ$m	2021 NZ$m
Personnel		
Salaries and related costs	947	891
Superannuation costs	30	29
Other	19	15
Personnel	996	935
Premises		
Rent	16	18
Depreciation	81	79
Other	38	37
Premises	135	134
Technology		
Depreciation and amortisation	44	45
Subscription licences and outsourced services	157	140
Other	27	36
Technology	228	221
Other		
Advertising and public relations	37	43
Professional fees	64	58
Freight, stationery, postage and communication	41	42
Charges from the Overseas Banking Group	107	120
Other	45	68
Other	294	331
Operating expenses	1,653	1,621

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Banking Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS – ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Banking Group expects to pay when the liabilities are settled. We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of government bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Banking Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	2022 NZ$m	2021 NZ$m
Profit before income tax	3,171	2,682
Prima facie income tax expense at 28%	888	751
Tax effect of permanent differences:		
Sale of legacy insurance portfolio	-	(4)
Tax provisions no longer required	(3)	(3)
Non-assessable income and non-deductible expenditure	(3)	3
Subtotal	882	747
Income tax over provided in previous years	-	(4)
Income tax expense	882	743
Current tax expense	925	770
Adjustments recognised in the current year in relation to the current tax of prior years	(64)	(4)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	21	(23)
Income tax expense	882	743
Effective tax rate	27.8%	27.7%

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends	Amount per share	Total dividend NZ$m
Financial Year 2021		
Dividend paid in June 2021	14.2 cents	900
Dividends paid during the year ended 30 September 2021		900
Financial Year 2022		
Dividend paid in March 2022	14.2 cents	900
Dividend paid in September 2022	16.0 cents	1,015
Dividends paid during the year ended 30 September 2022		1,915

IMPUTATION CREDIT ACCOUNT

	Banking Group		Bank[1]	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Imputation credits available as at 30 September	8,106	7,221	8,106	7,221
Effect of changes to imputation groups	-	-	(7,672)	-
Imputation credits available as at 1 October	8,106	7,221	434	7,221

1 Imputation credits available to the Bank are shown separately as this is relevant for holders of perpetual preference shares (PPS, refer to Note 21 shareholders' equity) issued by the Bank.

The imputation credit balance for the Banking Group includes the imputation credit balance in relation to both the New Zealand resident imputation group and other companies in the Banking Group that are not in the New Zealand resident imputation group. The imputation credit balance available includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

The Bank, including other entities in the same income tax consolidated group as the Bank (Bank consolidated imputation group) exited the New Zealand resident imputation group from 1 October 2022. The imputation credit balance available to the Bank consolidated imputation group includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

6. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Banking Group is organised into three major business segments for segment reporting purposes - Personal, Business and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

During the year ended 30 September 2021, the Banking Group reorganised into the following business segments: Personal (comprising the Personal and Funds Management business units), Business, and Institutional. These are intended to better align the Banking Group's internal business with the needs of its primary customer groups, home owners and business owners. These changes were implemented from August 2021 and have been accounted for prospectively. During the year ended 30 September 2022, there were net movements of approximately NZ$2.1 billion of loans and advances and NZ$1.6 billion of customer deposits from Business to Personal. Comparative amounts have not been restated because the overall impact on the financial performance and financial position of the affected segments, Personal and Business, is not considered material.

Personal
Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and a network of branches, mortgage specialists, relationship managers and contact centres.

Business
Business provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional
The Institutional division services governments, global institutional and corporate customers via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provides customers with risk management services on foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the Banking Group's interest rate exposure and high quality liquid asset portfolio.

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

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

For the year ended 30 September	Personal 2022 NZ$m	Personal 2021 NZ$m	Business 2022 NZ$m	Business 2021 NZ$m	Institutional 2022 NZ$m	Institutional 2021 NZ$m	Other 2022 NZ$m	Other 2021 NZ$m	Total 2022 NZ$m	Total 2021 NZ$m
Net interest income	2,210	1,990	1,206	1,064	308	333	52	37	3,776	3,424
Net fee and commission income										
- Lending fees	7	9	1	3	17	18	-	-	25	30
- Non-lending fees	426	612	249	10	56	56	-	-	731	678
- Commissions	31	34	-	-	1	1	-	-	32	35
- Funds management income	253	271	-	-	-	-	-	-	253	271
- Fee and commission expense	(306)	(459)	(196)	-	-	-	-	-	(502)	(459)
Net fee and commission income	411	467	54	13	74	75	-	-	539	555
Other income	3	19	(1)	-	185	160	361	31	548	210
Other operating income	414	486	53	13	259	235	361	31	1,087	765
Operating income	2,624	2,476	1,259	1,077	567	568	413	68	4,863	4,189
Operating expenses	(1,165)	(1,147)	(263)	(262)	(193)	(185)	(32)	(27)	(1,653)	(1,621)
Profit before credit impairment and income tax	1,459	1,329	996	815	374	383	381	41	3,210	2,568
Credit impairment release / (charge)	(74)	18	35	62	-	34	-	-	(39)	114
Profit before income tax	1,385	1,347	1,031	877	374	417	381	41	3,171	2,682
Income tax expense	(388)	(373)	(289)	(246)	(105)	(117)	(100)	(7)	(882)	(743)
Profit after income tax	997	974	742	631	269	300	281	34	2,289	1,939
Financial position										
Goodwill	1,042	1,042	895	895	1,069	1,069	-	-	3,006	3,006
Net loans and advances	102,709	95,061	37,431	39,158	6,927	6,535	-	2	147,067	140,756
Customer deposits	85,391	78,592	22,566	23,744	22,373	22,793	-	-	130,330	125,129

OTHER SEGMENT

The Other segment profit after income tax comprises:

For the year ended 30 September	2022 NZ$m	2021 NZ$m
Personal and Business central functions	22	(2)
Group Centre	47	20
Economic hedges	212	16
Total	281	34

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under NZ IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and other balances, as outlined below, that are convertible into cash with an insignificant risk of changes in value and with remaining maturities of three months or less, including reverse repurchase agreements.

	2022 NZ$m	2021 NZ$m
Coins, notes and cash at bank	154	163
Securities purchased under agreements to resell in less than 3 months	1,248	610
Balances with central banks	9,980	6,697
Settlement balances receivable within 3 months	1,193	374
Cash and cash equivalents	12,575	7,844

NOTES TO THE FINANCIAL STATEMENTS

8. TRADING SECURITIES

	2022 NZ$m	2021 NZ$m
Government securities	6,051	7,985
Corporate and financial institution securities	1,177	1,600
Trading securities	7,228	9,585

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 16 fair value of financial assets and financial liabilities for further details.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value	Assets 2022 NZ$m	Liabilities 2022 NZ$m	Assets 2021 NZ$m	Liabilities 2021 NZ$m
Derivative financial instruments - held for trading	14,117	(11,948)	8,504	(7,001)
Derivative financial instruments - designated in hedging relationships	1,364	(1,837)	800	(726)
Derivative financial instruments	15,481	(13,785)	9,304	(7,727)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract – sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Banking Group's derivative financial instruments have been categorised as follows:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Banking Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in hedging relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Banking Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Banking Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The Banking Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign exchange	Currencies at current or determined rates of exchange.
Interest rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa, and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Banking Group uses central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Banking Group's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Fair value	Assets 2022 NZ$m	Liabilities 2022 NZ$m	Assets 2021 NZ$m	Liabilities 2021 NZ$m
Interest rate contracts				
Forward rate agreements	6	(2)	1	(1)
Futures contracts	109	(8)	19	(5)
Swap agreements	1,174	(1,038)	4,465	(3,368)
Options purchased	-	-	1	-
Options sold	-	(12)	-	-
Total	1,289	(1,060)	4,486	(3,374)
Foreign exchange contracts				
Spot and forward contracts	5,832	(4,028)	2,217	(1,862)
Swap agreements	6,825	(6,701)	1,762	(1,716)
Options purchased	126	(10)	24	(2)
Options sold	10	(115)	2	(23)
Total	12,793	(10,854)	4,005	(3,603)
Commodity contracts and credit default swaps	35	(34)	13	(24)
Derivative financial instruments - held for trading	14,117	(11,948)	8,504	(7,001)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

The Banking Group uses two types of hedge accounting relationships:

	Fair value hedge	Cash flow hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.
Recognition of ineffective hedge portion	Recognised immediately in other operating income.	
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.

Under the policy choice provided by NZ IFRS 9, the Banking Group has continued to apply the hedge accounting requirements of NZ IAS 39.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments designated in hedging relationships are:

	2022			2021		
	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m
Fair value hedges						
Interest rate swap agreements	29,725	920	(1,381)	28,024	572	(512)
Cash flow hedges						
Interest rate swap agreements	34,202	444	(456)	27,820	228	(214)
Derivative financial instruments - designated in hedging relationships	63,927	1,364	(1,837)	55,844	800	(726)

The maturity profile of the nominal amounts of our hedging instruments held is:

Nominal amount	Average interest rate	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
As at 30 September 2022						
Fair value hedges						
Interest rate	1.53%	-	2,600	14,315	12,810	29,725
Cash flow hedges						
Interest rate	2.26%	1,826	7,454	24,079	843	34,202
As at 30 September 2021						
Fair value hedges						
Interest rate	1.47%	247	3,556	13,718	10,503	28,024
Cash flow hedges						
Interest rate	1.51%	2,585	5,226	18,981	1,028	27,820

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness						Amount reclassified from the cash flow hedge reserve to profit and loss	
	Change in value of hedging instrument[2]		Change in value of hedged item		Hedge ineffectiveness recognised in profit and loss			
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Fair value hedges[1]								
Interest rate	(930)	295	929	(289)	(1)	6	-	-
Cash flow hedges[1]								
Interest rate	22	(153)	(23)	152	(1)	(1)	3	10

1 All instruments are classified as derivative financial instruments.
2 Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.

Hedge ineffectiveness recognised is classified within other operating income. Amounts reclassified to profit or loss are recognised within net interest income or other operating income.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Banking Group's fair value hedges are:

	Balance sheet presentation	Hedged risk	Carrying amount Assets NZ$m	Carrying amount Liabilities NZ$m	Accumulated fair value hedge adjustments on the hedged item Assets NZ$m	Accumulated fair value hedge adjustments on the hedged item Liabilities NZ$m
As at 30 September 2022						
Fixed rate debt issuances	Debt issuances	Interest rate	-	(18,341)	-	1,305
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	11,506	-	(976)	-
Total			11,506	(18,341)	(976)	1,305
As at 30 September 2021						
Fixed rate debt issuances	Debt issuances	Interest rate	-	(16,307)	-	(245)
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	11,915	-	(361)	-
Total			11,915	(16,307)	(361)	(245)

1 The carrying amount of debt instruments at FVOCI does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income to the income statement to match the profit or loss on the hedging instrument.

There is no cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the balance sheet as at 30 September 2022 (2021: NZ$2 million).

The hedged items in relation to the Banking Group's cash flow hedges are:

	Hedged risk	Continuing hedges 2022 NZ$m	Continuing hedges 2021 NZ$m	Discontinued hedges 2022 NZ$m	Discontinued hedges 2021 NZ$m
Floating rate loans and advances	Interest rate	(437)	48	-	(1)
Floating rate customer deposits	Interest rate	475	(36)	1	2

All cash flow hedges relate to hedges of interest rate risk and the movements in the cash flow hedge reserve are shown in the statement of changes in equity on page 7.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Banking Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the income statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated into a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 20 for details of the recognition approach applied for each type of hedge accounting relationship. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.
Hedge effectiveness	To qualify for hedge accounting under NZ IAS 39, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Banking Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 16 fair value of financial assets and financial liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT SECURITIES

	2022 NZ$m	2021 NZ$m
Investment securities measured at fair value through other comprehensive income		
Debt securities	11,356	11,925
Equity securities	1	1
Total	11,357	11,926

The maturity profile of investment securities is as follows:

As at 30 September 2022	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	No maturity NZ$m	Total NZ$m
Government securities	115	1,430	7,103	2,274	-	10,922
Corporate and financial institution securities	3	69	362	-	-	434
Equity securities	-	-	-	-	1	1
Total	118	1,499	7,465	2,274	1	11,357
As at 30 September 2021						
Government securities	272	363	7,704	3,171	-	11,510
Corporate and financial institution securities	2	123	290	-	-	415
Equity securities	-	-	-	-	1	1
Total	274	486	7,994	3,171	1	11,926

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Banking Group's customer lending activities are classified as loans and advances (rather than investment securities) to better reflect the substance of the arrangement.

Equity investments not held for trading purposes may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as investment securities are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 12 allowance for expected credit losses, and the allowance for expected credit loss is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 16 fair value of financial assets and financial liabilities for further details.

11. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Banking Group:

	Note	2022 NZ$m	2021 NZ$m
Overdrafts		968	799
Credit cards		1,238	1,127
Term loans - housing		103,872	98,513
Term loans - non-housing		41,234	40,528
Subtotal		147,312	140,967
Unearned income		(32)	(29)
Capitalised brokerage and other origination costs		433	403
Gross loans and advances		147,713	141,341
Allowance for expected credit losses	12	(646)	(585)
Net loans and advances		147,067	140,756
Residual contractual maturity:			
Within one year		31,939	32,708
More than one year		115,128	108,048
Net loans and advances		147,067	140,756

The Banking Group has reviewed the historic accounting treatment of a transaction product arrangement comprised of both overdraft and deposit balances and concluded that, under NZ IAS 32 *Financial Instruments: Presentation*, the deposit amounts cannot be netted against the overdraft balances drawn under the arrangement. The application of netting reduced the amounts presented for overdrafts (above) and customer deposits (Note 13 deposits and other borrowings) by NZ$178 million as at 30 September 2021. Comparative amounts have not been restated as the impact is not considered material.

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$306 million as at 30 September 2022 (2021: NZ$318 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Banking Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses.

The Banking Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Banking Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Banking Group's balance sheet, however if substantially all the risks and rewards are transferred, the Banking Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, then the Banking Group derecognises the asset. If control over the asset is not lost, then the Banking Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 12 allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2022			2021		
	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Net loans and advances at amortised cost	569	77	646	525	60	585
Off-balance sheet commitments	100	5	105	107	15	122
Total	669	82	751	632	75	707

The following tables present the movement in the allowance for expected credit losses (ECL).

Net loans and advances

Allowance for ECL is included in net loans and advances.

			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
As at 1 October 2020	162	347	79	106	694
Transfer between stages	16	(14)	(2)	-	-
New and increased provisions (net of collective provision releases)	(23)	(19)	(21)	67	4
Write-backs	-	-	-	(63)	(63)
Bad debts written-off (excluding recoveries)	-	-	-	(47)	(47)
Discount unwind reversal	-	-	-	(3)	(3)
As at 30 September 2021	155	314	56	60	585
Transfer between stages	18	(10)	(3)	(5)	-
New and increased provisions (net of collective provision releases)	26	7	6	87	126
Write-backs	-	-	-	(33)	(33)
Bad debts written-off (excluding recoveries)	-	-	-	(37)	(37)
Discount unwind reversal	-	-	-	5	5
As at 30 September 2022	199	311	59	77	646

Off-balance sheet credit related commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2020	79	55	3	22	159
Transfer between stages	3	(4)	1	-	-
New and increased provisions (net of collective provision releases)	(18)	(12)	-	(7)	(37)
As at 30 September 2021	64	39	4	15	122
Transfer between stages	7	(6)	(1)	-	-
New and increased provisions (net of collective provision releases)	(5)	(2)	-	(10)	(17)
As at 30 September 2022	66	31	3	5	105

The collectively assessed allowance for ECL increased by NZ$37 million attributable to: increases of NZ$24 million for downside risks associated with the economic outlook, NZ$42 million due to portfolio credit risk profile changes reflecting the revised economic scenario weightings and enhanced model methodology, partially offset by reductions of NZ$8 million in lower management temporary adjustments and NZ$21 million in large exposure and model risk allowances.

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

	2022 NZ$m	2021 NZ$m
New and increased provisions		
- Collectively assessed	37	(93)
- Individually assessed	72	60
Write-backs	(33)	(63)
Recoveries of amounts previously written-off	(37)	(18)
Total credit impairment charge / (release)	39	(114)

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) – the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) – the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) – the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Banking Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Banking Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Banking Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Banking Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Banking Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Banking Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Banking Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Banking Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is our view of future macroeconomic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Banking Group's Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Banking Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

To better reflect the current economic conditions and geopolitical environment, the Banking Group has altered the severe downside scenario in 2022 from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for stress testing.

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the Banking Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Banking Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the year ended 30 September 2022
Determining when a SICR has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Banking Group monitors the effectiveness of SICR criteria on an ongoing basis.	The Banking Group has adjusted the ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, increasing inflation and low wage growth.
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The modelled outcome as at 30 September 2021 included a model adjustment to recognise increased model uncertainties as a result of COVID-19. With these uncertainties largely being appropriately reflected in the underlying models, the COVID-19 adjustments have been removed.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the year ended 30 September 2022.
Base case economic forecast	The Banking Group derives a forward-looking "base case" economic scenario which reflects our view of the most likely future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2022, the base case assumptions have been updated to reflect the relaxation of COVID-19 related restrictions, continuing supply chain and labour market pressures, and rapidly increasing global inflation and interest rate rises globally, as well as lower growth in key economies. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2022 are described below under the heading "Base case economic forecast assumptions".

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the year ended 30 September 2022
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	To better reflect the current economic conditions and geopolitical environment, the Banking Group has altered the severe downside scenario from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for stress testing. The key considerations for probability weightings in the current period include the emergence from COVID-19 restrictions, how customers will respond to interest rate rises and higher inflation, and potential impacts of lower growth prospects globally. Weightings for current and prior periods are as detailed in the section on 'Probability weightings' below.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.	As at 30 September 2022, Management no longer consider that a separate management temporary adjustment is necessary for the uncertainty associated with COVID-19. Management have however included adjustments to accommodate uncertainty associated with rising inflation, rapidly increasing interest rates, and ongoing supply chain and labour market pressures. In addition, management overlays have been made for risks particular to personal and business banking. Management temporary adjustments total NZ$169 million (2021: NZ$177 million).

1 The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of our view of future macroeconomic conditions, used at 30 September 2022 are set out below. For the years following the near term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
New Zealand	2022	2023	2024
Gross domestic product (GDP) (annual % change)	1.9%	1.8%	1.7%
Unemployment rate	3.3%	3.9%	4.9%
Residential property prices (annual % change)	-11.3%	-3.1%	2.6%
Consumer price index (CPI) (annual % change)	6.8%	3.6%	1.9%

The base case economic forecasts reflect the expected slow down in economic activity globally from higher interest rates and increasing inflation, along with declining residential property prices until 2024. Tight labour markets are expected to persist until central banks' monetary policies have the intended impact of reducing demand and bringing inflation down.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

The base case scenario represents an overall deterioration in the forecasts since September 2021. Given the uncertainties associated with how the economy may respond to rapidly moving factors including inflation and lower economic growth globally, the base case weighting has been reduced to 45.0% (2021: 50.0%), the upside scenario reduced to 0.0% (2021: 4.5%), the downside scenario reduced to 40.0% (2021:40.5%), and the severe downside scenario increased to 15.0% (2021: 5.0%).

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Banking Group considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Banking Group's credit portfolios. The weightings applied are set out below:

	2022	2021
Base	45.0%	50.0%
Upside	0.0%	4.5%
Downside	40.0%	40.5%
Severe downside	15.0%	5.0%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Banking Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2022:

	ECL NZ$m	Impact NZ$m
If 1% of Stage 1 facilities were included in Stage 2	679	10
If 1% of Stage 2 facilities were included in Stage 1	668	(1)
100% upside scenario	195	(474)
100% base scenario	250	(419)
100% downside scenario	501	(168)
100% severe downside scenario	1,251	582

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, the Banking Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the uncertainties described above.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are 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, except where doing so would create or enlarge an accounting mismatch in profit or loss.

13. DEPOSITS AND OTHER BORROWINGS

	Note	2022 NZ$m	2021 NZ$m
Term deposits		46,746	40,668
On demand and short term deposits		62,203	62,648
Deposits not bearing interest		21,381	21,813
Total customer deposits		130,330	125,129
Certificates of deposit		1,639	1,875
Commercial paper		2,955	4,433
Securities sold under repurchase agreements		4,642	1,663
Deposits from Immediate Parent Company and NZ Branch	26	76	39
Deposits and other borrowings		139,642	133,139
Residual contractual maturity:			
Within one year		133,858	129,726
More than one year		5,784	3,413
Deposits and other borrowings		139,642	133,139
Carried on balance sheet at:			
Amortised cost		136,687	128,706
Fair value through profit or loss (designated on initial recognition)		2,955	4,433
Deposits and other borrowings		139,642	133,139

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 16 fair value of financial assets and financial liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Banking Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Banking Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the income statement.

14. DEBT ISSUANCES

The Banking Group uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that holders of unsubordinated debt take priority over holders of subordinated debt owed by the relevant issuer and subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	2022 NZ$m	2021 NZ$m
Senior debt	13,577	14,220
Covered bonds	4,082	4,248
Total unsubordinated debt	17,659	18,468
Subordinated debt		
- Additional Tier 1 capital	1,941	2,441
- Tier 2 capital	1,423	593
Total subordinated debt	3,364	3,034
Total debt issued	21,023	21,502
Residual contractual maturity:		
Within one year	4,464	4,334
More than one year	16,559	17,168
Total debt issued	21,023	21,502

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Banking Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		2022 NZ$m	2021 NZ$m
AUD	Australian dollars	44	45
EUR	Euro	6,668	8,055
NZD	New Zealand dollars	3,735	4,494
CHF	Swiss Francs	1,083	984
USD	United States dollars	9,493	7,924
Total debt issued		21,023	21,502

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.

SUBORDINATED DEBT

All subordinated debt is issued by the Bank and qualifies as regulatory capital for the Banking Group. Each subordinated debt instrument is classified as either Additional Tier 1 (AT1) capital, in the case of the ANZ NZ Internal Capital Notes 1 (ANZ NZ ICN) and ANZ NZ Internal Capital Notes 2 (ANZ NZ ICN2), or Tier 2 capital for RBNZ's capital adequacy purposes depending on the terms and conditions of the instruments.

In any liquidation event impacting the Bank, Tier 2 capital instruments rank ahead of AT1 capital instruments. AT1 capital instruments rank equally with each other and with the Bank's preference shares and only rank ahead of ordinary shares.

AT1 capital notes

AT1 capital notes are fully paid convertible non-cumulative perpetual subordinated notes. Holders of AT1 capital notes do not have any right to vote in general meetings of the Bank.

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.

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). Early redemption is subject to RBNZ's prior written approval.

NOTES TO THE FINANCIAL STATEMENTS

14. DEBT ISSUANCES (continued)

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) if:

- the Banking Group's, 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.

Where specified, AT1 capital notes mandatorily 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):

- 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.

RBNZ released new capital adequacy requirements for New Zealand banks, which are being implemented from October 2021 to July 2028. Under the new requirements, from 1 January 2022, the AT1 capital notes are subject to a progressive reduction in their regulatory capital recognition. As a result, the Bank has determined that a regulatory event has occurred in respect of these notes. The occurrence of a regulatory event means that the Bank may choose to redeem any of the AT1 capital notes at its discretion. Any redemption of AT1 capital notes is subject to certain conditions, including regulatory approvals. NZ$500 million of AT1 capital notes were redeemed on 31 December 2021. As at 11 November 2022, no decision has been made on whether the Bank will redeem the AT1 capital notes that were outstanding at 30 September 2022.

The table below show the key details of the AT1 capital notes on issue at 30 September 2022:

	ANZ NZ ICN	ANZ NZ ICN2
Issue date	5 March 2015	15 June 2016
Issue and carrying amount	NZ$1,003 million	NZ$938 million
Face value	NZ$100	NZ$100
Interest frequency	Semi-annually in arrears	Semi-annually in arrears
Interest rate	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	24 March 2023	15 June 2026 and each 5th anniversary
Mandatory conversion date	24 March 2025	n/a
Common equity capital trigger event	Yes	Yes
Non-viability trigger event	Yes	Yes

TIER 2 CAPITAL

Tier 2 capital notes are fully paid unsecured subordinated notes. Interest payments are subject to the Bank being solvent at the time of, and immediately following, the payment. Unpaid interest accumulates, and will be paid at the earlier of when the Bank is solvent again or at maturity. The Bank may repay the notes early on the dates specified below, or in certain other circumstances (such as a tax or regulatory event). Early repayment is subject to certain conditions, including approval from RBNZ.

The table below shows the Tier 2 capital subordinated notes the Banking Group holds at 30 September in both the current and prior year:

Currency	Face value	Issue date	Maturity	Next optional call date - subject to RBNZ's approval	Interest rate	Interest reset date	Credit rating[2]	2022 NZ$m	2021 NZ$m
NZD	600m	Sep 2021	Sep 2031	Sep 2026	2.999%	Sep 2026	A-	594	593
USD	500m	Aug 2022	Aug 2032	Aug 2027	5.548%	Aug 2027	A-	829	-
Total Tier 2 capital[1]								1,423	593

1 Carrying amounts are net of issuance costs and fair value hedging adjustments.
2 Credit rating assigned by S&P Global Ratings.

RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at fair value through profit or loss. Interest expense on debt issuances is recognised using the effective interest rate method. Where the Banking Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit or loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

15. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Banking Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Banking Group's key material risks.

This note details the Banking Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks:

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Banking Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Banking Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Banking Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity portfolio management • Funding position • Residual contractual maturity analysis of the Banking Group's liabilities

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

The Board is responsible for establishing and overseeing the Banking Group's Risk Management Framework (RMF). The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with the Banking Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Banking Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Banking Group is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes the Banking Group's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Banking Group identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Banking Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At the Banking Group, risk is everyone's responsibility.

The Banking Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect the Banking Group's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

Internal Audit Function

Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor. The Internal Audit Plan is developed using a risk based approach and is reviewed quarterly. The Audit Committee approves the plan.

All audit activities are conducted in accordance with international internal auditing standards, and the results of the activities are reported to the Audit Committee and management. These results influence the performance assessment of business heads. Furthermore, Internal Audit monitors the remediation of audit issues and reports the current status of any outstanding audits.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Banking Group's major sources of income. As this activity is also a key material risk, the Banking Group dedicates considerable resources to its management. The Banking Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities.

Our credit risk management framework ensures we apply a consistent approach across the Banking Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves policies and control frameworks for the management of the Banking Group's credit risk.

The BRC delegates responsibility for day-to-day management of credit risk and compliance with credit risk policies to the Bank's Credit Risk Management Committee (CRMC).

We quantify credit risk through an internal credit rating system (Master Scale) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Banking Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Banking Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover such factors as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogeneous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Banking Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, internal capital allocation, and credit provisioning.

All customers with whom the Banking Group has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Banking Group's internal CCR to manage the credit quality of financial assets. To enable wider comparisons, the Banking Group's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	The Banking Group customer requirements	Moody's Rating	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 – Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	n/a	n/a

15. FINANCIAL RISK MANAGEMENT (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Banking Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
On-balance sheet positions						
Net loans and advances	**147,067**	140,756	**-**	-	**147,067**	140,756
Other financial assets:						
Cash and cash equivalents	**12,575**	7,844	**154**	163	**12,421**	7,681
Settlement balances receivable	**785**	237	**-**	-	**785**	237
Collateral paid	**1,672**	537	**-**	-	**1,672**	537
Trading securities	**7,228**	9,585	**-**	-	**7,228**	9,585
Derivative financial instruments	**15,481**	9,304	**-**	-	**15,481**	9,304
Investment securities	**11,357**	11,926	**-**	-	**11,357**	11,926
Other financial assets[2]	**955**	496	**-**	-	**955**	496
Total other financial assets	**50,053**	39,929	**154**	163	**49,899**	39,766
Subtotal	**197,120**	180,685	**154**	163	**196,966**	180,522
Off-balance sheet commitments						
Undrawn and contingent facilities[3]	**30,187**	30,030	**-**	-	**30,187**	30,030
Total	**227,307**	210,715	**154**	163	**227,153**	210,552

1 Coins, notes and cash at bank within cash and cash equivalents were excluded as they do not have credit risk exposure.
2 Other financial assets mainly comprise accrued interest and acceptances.
3 Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT QUALITY

An analysis of the Banking Group's credit risk exposure is presented in the following tables based on the Banking Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements.

Net loans and advances			Stage 3		
As at 30 September 2022	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	123,097	2,678	-	-	125,775
Satisfactory	16,327	3,018	-	-	19,345
Weak	257	1,201	-	-	1,458
Defaulted	-	-	588	146	734
Subtotal	139,681	6,897	588	146	147,312
Allowance for ECL	(199)	(311)	(59)	(77)	(646)
Net loans and advances at amortised cost	139,482	6,586	529	69	146,666
Coverage ratio	0.14%	4.51%	10.03%	52.74%	0.44%
Unearned income					(32)
Capitalised brokerage and other origination costs					433
Net carrying amount					147,067

As at 30 September 2021					
Strong	116,578	1,620	-	-	118,198
Satisfactory	17,122	3,134	-	-	20,256
Weak	293	1,447	-	-	1,740
Defaulted	-	-	618	155	773
Subtotal	133,993	6,201	618	155	140,967
Allowance for ECL	(155)	(314)	(56)	(60)	(585)
Net loans and advances at amortised cost	133,838	5,887	562	95	140,382
Coverage ratio	0.12%	5.06%	9.06%	38.71%	0.41%
Unearned income					(29)
Capitalised brokerage and other origination costs					403
Net carrying amount					140,756

Other financial assets	2022 NZ$m	2021 NZ$m
Strong	49,833	39,702
Satisfactory	62	49
Weak	4	15
Defaulted	-	-
Total carrying amount	49,899	39,766

15. FINANCIAL RISK MANAGEMENT (continued)

Off-balance sheet commitments - undrawn and contingent facilities

As at 30 September 2022	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	25,901	224	-	-	26,125
Satisfactory	3,368	682	-	-	4,050
Weak	8	89	-	-	97
Defaulted	-	-	14	6	20
Gross undrawn and contingent facilities	29,277	995	14	6	30,292
Allowance for ECL included in other provisions (refer to Note 20)	(66)	(31)	(3)	(5)	(105)
Net undrawn and contingent facilities	29,211	964	11	1	30,187
Coverage ratio	0.23%	3.12%	21.43%	83.33%	0.35%

As at 30 September 2021	Stage 1 NZ$m	Stage 2 NZ$m	Stage 3 Collectively assessed NZ$m	Stage 3 Individually assessed NZ$m	Total NZ$m
Strong	25,072	142	-	-	25,214
Satisfactory	3,734	1,037	-	-	4,771
Weak	12	100	-	-	112
Defaulted	-	-	32	23	55
Gross undrawn and contingent facilities	28,818	1,279	32	23	30,152
Allowance for ECL included in other provisions (refer to Note 20)	(64)	(39)	(4)	(15)	(122)
Net undrawn and contingent facilities	28,754	1,240	28	8	30,030
Coverage ratio	0.22%	3.05%	12.50%	65.22%	0.40%

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Banking Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Banking Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately as required by the Order.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
New Zealand residents								
Agriculture	15,616	16,316	55	43	831	854	16,502	17,213
Forestry and fishing, agriculture services	624	659	16	5	113	137	753	801
Mining	123	95	20	6	350	428	493	529
Manufacturing	2,591	2,342	849	162	1,876	2,126	5,316	4,630
Electricity, gas, water and waste services	810	946	267	337	1,508	1,828	2,585	3,111
Construction	1,235	1,165	4	9	959	909	2,198	2,083
Wholesale trade	1,542	1,264	128	51	2,132	1,790	3,802	3,105
Retail trade and accommodation	2,713	2,473	12	12	735	848	3,460	3,333
Transport, postal and warehousing	993	943	40	55	860	708	1,893	1,706
Finance and insurance services	972	1,040	17,085	10,969	1,955	1,774	20,012	13,783
Rental, hiring & real estate services	38,797	37,441	1,915	1,627	2,610	2,357	43,322	41,425
Professional, scientific, technical, administrative and support services	880	830	12	5	397	480	1,289	1,315
Public administration and safety	199	305	9,924	12,453	855	808	10,978	13,566
Health care and social assistance	950	716	24	12	474	479	1,448	1,207
Households	75,948	71,274	250	156	13,426	13,564	89,624	84,994
Other[1]	1,096	1,094	133	78	1,122	962	2,351	2,134
Subtotal	145,089	138,903	30,734	25,980	30,203	30,052	206,026	194,935
Overseas								
Finance and insurance services	103	104	19,048	13,755	89	100	19,240	13,959
Households	1,402	1,259	5	3	-	-	1,407	1,262
All other non-residents	718	701	112	28	-	-	830	729
Subtotal	2,223	2,064	19,165	13,786	89	100	21,477	15,950
Gross subtotal	147,312	140,967	49,899	39,766	30,292	30,152	227,503	210,885
Allowance for ECL	(646)	(585)	-	-	(105)	(122)	(751)	(707)
Subtotal	146,666	140,382	49,899	39,766	30,187	30,030	226,752	210,178
Unearned income	(32)	(29)	-	-	-	-	(32)	(29)
Capitalised brokerage and other origination costs	433	403	-	-	-	-	433	403
Maximum exposure to credit risk	147,067	140,756	49,899	39,766	30,187	30,030	227,153	210,552

1 Other includes exposures to information media and telecommunications; education and training; arts and recreation services; and other services.

15. FINANCIAL RISK MANAGEMENT (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans – housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans – business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, investment securities, derivatives and other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by the Banking Group when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Maximum exposure to credit risk		Total value of collateral		Unsecured portion of credit exposure	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Net loans and advances	147,067	140,756	139,154	133,801	7,913	6,955
Other financial assets	49,899	39,766	4,453	1,878	45,446	37,888
Off-balance sheet positions	30,187	30,030	15,758	16,241	14,429	13,789
Total	227,153	210,552	159,365	151,920	67,788	58,632

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Banking Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risk and compliance with market risk policies to the Bank's Asset & Liability Committee (ALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Banking Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded market risk	Non-traded market risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: • Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. • Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. • Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. • Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. • Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Banking Group's possible daily loss based on historical market movements.

The Banking Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using a one-day holding period. For stressed VaR we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

The Banking Group measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

15. FINANCIAL RISK MANAGEMENT (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2022				2021			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Traded value at risk 99% confidence								
Foreign exchange	1.0	1.5	0.2	0.7	0.6	2.3	0.2	1.0
Interest rate	3.1	4.8	1.2	2.5	2.9	7.4	2.0	4.4
Credit	0.9	1.1	0.4	0.7	0.5	1.5	0.3	0.8
Diversification benefit[1]	(1.3)	n/a	n/a	(1.3)	(1.0)	n/a	n/a	(1.3)
Total VaR	3.7	5.9	1.3	2.6	3.0	9.4	2.2	4.9

1 The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Banking Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Banking Group's banking book, while ensuring the Banking Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Banking Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the Banking Group.

	2022				2021			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Non-traded value at risk 99% confidence								
Total VaR	30.0	30.9	20.9	26.0	22.5	38.4	22.3	30.5

We undertake scenario analysis to stress test the impact of extreme events on the Banking Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	2022	2021
Impact of 1% rate shock on 12 months of net interest income		
As at period end	-0.5%	-1.4%
Maximum exposure	0.5%	0.2%
Minimum exposure	-2.2%	-2.0%
Average exposure (in absolute terms)	-0.7%	-1.0%

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Where it is considered appropriate, the Banking Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily Australian Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

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15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Banking Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding is overseen by ALCO following delegation from the BRC. Within an overall framework established by the BRC, Treasury and Market Risk have responsibility for the control of funding and liquidity risk at the Banking Group level. Liquidity and funding risks are governed by a set of principles approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Banking Group has the ability to meet 'survival horizons' under Banking Group specific and general market liquidity stress scenarios to meet cash flow obligations over the short to medium term;
- maintaining strength in the Banking Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Banking Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing a detailed contingency plan to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY AND FUNDING RISK

Supervision and regulation

RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario modelling

A key component of the Banking Group's liquidity management framework is scenario modelling of a range of regulatory and internal liquidity metrics.

Potential severe liquidity crisis scenarios which model the behaviour of cash flows where there is a problem (real or perceived) may include, but are not limited to, operational issues, doubts about the solvency of the Banking Group, or adverse rating changes. Under these scenarios the Banking Group may have significant difficulty rolling over or replacing funding. The Banking Group's liquidity policy requires sufficient high quality liquid assets to be held to meet its liquidity needs for the following one month under the modelled scenarios.

As of 30 September 2022 the Banking Group was operating above the required minimums with the above scenarios.

Structural balance sheet metrics

The Banking Group's liquidity management framework also encompasses structural balance sheet metrics such as the RBNZ core funding ratio. The core funding ratio is designed to limit the amount of wholesale funding required to be rolled over within a one year timeframe and so interact with the liquidity scenarios to maintain the Banking Group's liquidity position.

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency with targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term and long-term wholesale funding is managed and executed by Treasury.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group is not required to issue large volumes of new wholesale funding within a short time period to replace maturing wholesale funding. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by regular updates and is linked to the Banking Group's three-year strategic planning cycle.

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY PORTFOLIO MANAGEMENT

The Banking Group holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of the Banking Group's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

	2022 NZ$m	2021 NZ$m
Central and local government bonds	8,316	10,312
Government treasury bills	829	899
Certificates of deposit	656	959
Other bonds	8,372	8,913
Securities eligible to be accepted as collateral in repurchase transactions	18,173	21,083
Cash and balances with central banks	10,267	7,013
Total liquidity portfolio	28,440	28,096

Assets held in the Banking Group's liquidity portfolio include short term cash held with RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated New Zealand domestic corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ$10,800 million at 30 September 2022 (2021: NZ$9,647 million).

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- In November 2020, RBNZ announced the FLP which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks were able to obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). The initial allocation closed on 6 June 2022. An additional allocation of up to 2% of eligible loans is available, subject to certain conditions until 6 December 2022.

As at 30 September 2022, the Bank had drawn NZ$300 million (2021: NZ$300 million) under the TLF and NZ$2,500 million (2021: NZ$1,000 million) under the FLP. These amounts are included in securities sold under repurchase agreements in Note 13 deposits and other borrowings.

Liquidity crisis contingency planning

The Banking Group maintains a liquidity crisis contingency plan to define an approach for analysing and responding to a liquidity-threatening event. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls; and
- assigned responsibilities for internal and external communications.

FUNDING POSITION

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

	Note	2022 NZ$m	2021 NZ$m
Funding composition			
Customer deposits	13	130,330	125,129
Wholesale funding			
Debt issuances		21,023	21,502
Certificates of deposit and commercial paper		4,594	6,308
Other borrowings		4,718	1,702
Total wholesale funding		30,335	29,512
Total deposits and wholesale funding		160,665	154,641

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

	2022 NZ$m	2021 NZ$m
Customer deposits by industry - New Zealand residents		
Agriculture, forestry and fishing	4,843	4,485
Mining	257	216
Manufacturing	2,808	2,707
Construction	2,800	2,884
Wholesale trade	2,808	2,688
Retail trade and accommodation	2,197	2,177
Transport, postal and warehousing	1,347	894
Financial and insurance services	13,516	13,836
Rental, hiring and real estate services	3,851	4,260
Professional, scientific, technical, administrative and support services	6,741	6,560
Public administration and safety	1,258	1,813
Health care and social assistance	1,397	1,544
Arts, recreation and other services	2,120	2,226
Households	71,752	67,196
Other[1]	2,783	2,153
Subtotal	120,478	115,639
Customer deposits by industry - overseas		
Households	8,852	8,693
All other non-residents	1,000	797
Subtotal	9,852	9,490
Total customer deposits	130,330	125,129
Wholesale funding (financial and insurance services industry)		
New Zealand	8,251	7,891
Overseas	22,084	21,621
Total wholesale funding	30,335	29,512
Total deposits and wholesale funding	160,665	154,641
Concentrations of funding by geography		
New Zealand	128,729	123,530
Australia	1,563	983
United States	12,986	12,791
Europe	10,389	10,369
Other countries	6,998	6,968
Total deposits and wholesale funding	160,665	154,641

1 Other includes electricity, gas, water and waste services; information media and telecommunications; and education and training.

15. FINANCIAL RISK MANAGEMENT (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE BANKING GROUP'S FINANCIAL LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September 2022 and 30 September 2021 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.

It should be noted that this is not how the Banking Group manages its liquidity risk. The management of this risk is detailed on page 44.

2022	On demand NZ$m	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	Total NZ$m
Settlement balances payable	4,677	299	-	-	-	4,976
Collateral received	-	1,962	-	-	-	1,962
Deposits and other borrowings	83,587	24,318	26,899	6,335	-	141,139
Derivative financial liabilities (trading)	-	13,494	-	-	-	13,494
Debt issuances[1]	-	173	4,886	15,404	3,243	23,706
Lease liabilities	-	13	39	155	42	249
Other financial liabilities	-	148	8	273	215	644
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,224	4,390	6,391	458	12,463
- gross outflows	-	(1,229)	(4,688)	(6,482)	(482)	(12,881)

2021	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	2,383	323	-	-	-	2,706
Collateral received	-	738	-	-	-	738
Deposits and other borrowings	84,461	21,444	24,175	3,604	-	133,684
Derivative financial liabilities (trading)	-	7,665	-	-	-	7,665
Debt issuances[1]	-	26	4,594	12,863	4,907	22,390
Lease liabilities	-	13	39	165	70	287
Other financial liabilities	-	192	48	382	268	890
Derivative financial instruments (balance sheet management)						
- gross inflows	-	447	3,098	4,559	296	8,400
- gross outflows	-	(468)	(3,106)	(4,572)	(251)	(8,397)

1 Any callable wholesale debt instruments have been included at their next call date. Refer to Note 14 debt issuances for subordinated debt call dates.

At 30 September 2022, NZ$30,292 million (2021: NZ$30,152 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.

NOTES TO THE FINANCIAL STATEMENTS

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Banking Group recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial assets and financial liabilities according to measurement bases together with their carrying amounts as recognised on the balance sheet.

		2022			2021		
	Note	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m
Financial assets							
Cash and cash equivalents	7	12,575	-	12,575	7,844	-	7,844
Settlement balances receivable		785	-	785	237	-	237
Collateral paid		1,672	-	1,672	537	-	537
Trading securities	8	-	7,228	7,228	-	9,585	9,585
Derivative financial instruments	9	-	15,481	15,481	-	9,304	9,304
Investment securities	10	-	11,357	11,357	-	11,926	11,926
Net loans and advances	11	147,067	-	147,067	140,756	-	140,756
Other financial assets		955	-	955	496	-	496
Total		163,054	34,066	197,120	149,870	30,815	180,685
Financial liabilities							
Settlement balances payable		4,933	-	4,933	2,704	-	2,704
Collateral received		1,962	-	1,962	738	-	738
Deposits and other borrowings	13	136,687	2,955	139,642	128,706	4,433	133,139
Derivative financial instruments	9	-	13,785	13,785	-	7,727	7,727
Debt issuances	14	21,023	-	21,023	21,502	-	21,502
Other financial liabilities		741	364	1,105	572	676	1,248
Total		165,346	17,104	182,450	154,222	12,836	167,058

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

If the Banking Group holds offsetting risk positions, then we use the portfolio exemption in NZ IFRS 13 *Fair Value Measurement* (NZ IFRS 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate commercial paper (included in deposits and other borrowings) as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or liability	Fair value approach
Financial instruments classified as: - Trading securities - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Banking Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted market price (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Assets								
Trading securities	5,565	8,276	1,663	1,309	-	-	7,228	9,585
Derivative financial instruments	109	19	15,372	9,284	-	1	15,481	9,304
Investment securities	10,895	11,925	461	-	1	1	11,357	11,926
Total	16,569	20,220	17,496	10,593	1	2	34,066	30,815
Liabilities								
Deposits and other borrowings	-	-	2,955	4,433	-	-	2,955	4,433
Derivative financial instruments	8	5	13,765	7,722	12	-	13,785	7,727
Other financial liabilities	364	676	-	-	-	-	364	676
Total	372	681	16,720	12,155	12	-	17,104	12,836

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Banking Group's balance sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Banking Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

			Categorised into fair value hierarchy							
	Carrying amount		Quoted market price (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Fair value (total)	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Financial assets										
Net loans and advances	147,067	140,756	-	-	136	129	145,323	140,574	145,459	140,703
Total	147,067	140,756	-	-	136	129	145,323	140,574	145,459	140,703
Financial liabilities										
Deposits and other borrowings	136,687	128,706	-	-	136,493	128,726	-	-	136,493	128,726
Debt issuances	21,023	21,502	2,561	2,626	18,391	19,276	-	-	20,952	21,902
Total	157,710	150,208	2,561	2,626	154,884	148,002	-	-	157,445	150,628

NOTES TO THE FINANCIAL STATEMENTS

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following table sets out the Banking Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

The carrying values of certain on-balance sheet financial instruments approximate fair values. These financial instruments are short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Financial asset and liability	Fair value approach
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Banking Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Banking Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to the Banking Group for that instrument.

KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on the Banking Group's balance sheet at fair value. The Banking Group therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance sheet date.

In determining the fair valuation of financial instruments, the Banking Group has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models the Banking Group uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, the Banking Group also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer Note 9 derivative financial instruments) to reflect the Banking Group's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.

17. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard CSA that forms part of the ISDA Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of the Banking Group's covered bond programmes; and
- collateral provided to RBNZ under the TLF and FLP.

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

	2022 NZ$m	2021 NZ$m
Securities sold under agreements to repurchase[1]	**1,833**	362
Residential mortgages pledged as security for repurchase agreements with RBNZ	**3,494**	1,556
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	**10,921**	11,406

1 The amounts disclosed as securities sold under arrangements to repurchase include both:
- assets pledged as security which continue to be recognised on the Banking Group's balance sheet; and
- assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The Banking Group has received collateral associated with various financial transactions. Under certain arrangements the Banking Group has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that we have sold or repledged is as follows:

	2022 NZ$m	2021 NZ$m
Fair value of assets which can be sold or repledged	**1,233**	610
Fair value of assets sold or repledged	**959**	565

NOTES TO THE FINANCIAL STATEMENTS

18. OFFSETTING

We offset financial assets and financial liabilities in the balance sheet (in accordance with NZ IAS 32) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over collateralisation.

			Amount subject to master netting agreement or similar			
2022	Total amounts recognised in the balance sheet NZ$m	Amounts not subject to master netting agreement or similar NZ$m	Total NZ$m	Financial instruments NZ$m	Financial collateral (received)/ pledged NZ$m	Net amount NZ$m
Derivative financial instruments	15,481	(4,180)	11,301	(9,817)	(1,128)	356
Reverse repurchase agreements[1]	1,248	-	1,248	-	(1,248)	-
Total financial assets	16,729	(4,180)	12,549	(9,817)	(2,376)	356
Derivative financial instruments	(13,785)	2,592	(11,193)	9,817	562	(814)
Repurchase agreements[2]	(4,642)	-	(4,642)	-	4,642	-
Total financial liabilities	(18,427)	2,592	(15,835)	9,817	5,204	(814)
2021						
Derivative financial instruments[3]	9,304	(1,881)	7,423	(6,050)	(374)	999
Reverse repurchase agreements[1]	610	-	610	-	(610)	-
Total financial assets	9,914	(1,881)	8,033	(6,050)	(984)	999
Derivative financial instruments	(7,727)	1,250	(6,477)	6,050	81	(346)
Repurchase agreements[2]	(1,663)	-	(1,663)	-	1,663	-
Total financial liabilities	(9,390)	1,250	(8,140)	6,050	1,744	(346)

1 Reverse repurchase agreements are presented in the balance sheet within cash and cash equivalents.
2 Repurchase agreements are presented in the balance sheet within deposits and other borrowings.
3 The comparative amounts for financial collateral received and net amount have been updated to include the effect of NZ$245 million of collateral received.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	2022 NZ$m	2021 NZ$m
Goodwill	**3,006**	3,006
Management rights	**76**	76
Software	**17**	9
Goodwill and other intangible assets	**3,099**	3,091

GOODWILL AND OTHER INTANGIBLE ASSETS ALLOCATED TO CASH-GENERATING UNITS (CGUs)

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on 1 December 2003, and the carrying amount reflects amortisation recognised before the application of NZ IFRS from 1 October 2004 and subsequent business disposals. Funds management rights, assessed as having indefinite useful lives, arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ New Zealand Investments Holdings Limited) group on 30 November 2009.

Goodwill and funds management rights are allocated to CGUs as follows:

	Goodwill		Management rights	
Cash generating unit	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Personal	**980**	980	**-**	-
Funds Management	**62**	62	**76**	76
Personal segment	**1,042**	1,042	**76**	76
Business	**895**	895	**-**	-
Institutional	**1,069**	1,069	**-**	-
Total	**3,006**	3,006	**76**	76

Goodwill was assessed for indicators of impairment as at 30 September 2022, taking into account the results of the February 2022 impairment test and associated sensitivity and scenario analysis performed and the forecast impact of recent economic events. There were no indicators of impairment therefore, in accordance with NZ IAS 36 *Impairment of Assets*, no further impairment test was required. The following information is for the annual goodwill impairment test.

Annual goodwill impairment test

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCOD) and its value-in use (VIU). We use a value-in-use approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated. Based on this assessment no impairment was identified for any CGU, and therefore a FVLCOD calculation was not required.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

VALUE-IN-USE

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, the impact of the restriction imposed by RBNZ on the payment of ordinary dividends by all New Zealand incorporated registered banks, and the implementation of RBNZ's increased capital requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Input / assumption	Values applied in 28 February 2022 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation of RBNZ's increased capital requirements over the transition period ending on 1 July 2028.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2022 to 2024, before returning to long run experience levels for 2025 to 2028. Long run experience levels are based on the Banking Group's bad debts written off, net of recoveries, since 2004 of 0.15% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2025 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2025 forecast inflation from RBNZ's February 2022 Monetary Policy Statement.
Discount rate	Post tax: 10.7% (February 2021: 9.4%). The main variables in the calculation of the discount rate used are the risk free rate, beta and the market risk premium. The risk free rate was the traded 10 year New Zealand government bond yield as at 28 February 2022 of 2.7%. The market risk premium was estimated using a range of methods incorporating historical and forward-looking market data. Beta was consistent with observable measures applied in the regional banking sector.

The values of the average revenue growth, credit impairment as a percentage of forecast gross loans and advances, and pre-tax discount rates assumptions by CGU are shown in the table below. The implied pre-tax discount rates are significantly higher than the post-tax discount rate above because regulatory capital retention over the forecast period is not tax effected.

	Revenue growth		Credit impairment		Pre-tax discount rate	
Cash generating unit	28 Feb 22	28 Feb 21	28 Feb 22	28 Feb 21	28 Feb 22	28 Feb 21
Personal (previously Retail and Business Banking)	**5.1%**	6.1%	**0.12%**	0.13%	**20.8%**	17.5%
Funds Management (previously Wealth)	**6.4%**	3.4%	**n/a**	0.10%	**18.6%**	16.4%
Business (previously Commercial)	**5.3%**	4.2%	**0.21%**	0.21%	**20.8%**	17.8%
Institutional	**3.6%**	4.5%	**0.22%**	0.21%	**20.6%**	17.3%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the carrying amount of any CGU to exceed its recoverable amount.

19. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

Intangible	Goodwill	Software	Management rights
Definition	Excess amount the Banking Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the Banking Group is capitalised. Internal and external costs incurred in building software and computer systems costing more than NZ$20 million are capitalised as assets. Those less than NZ$20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business.
Carrying value	Cost less any accumulated impairment losses. Allocated to the CGU to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights have an indefinite life and are reviewed for impairment at least annually or when there is an indication of impairment.
Amortisation method	Not applicable.	Straight-line method.	Not applicable.

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Banking Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the inherent uncertainty described in the key judgements and estimates section on page 9.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER PROVISIONS

	Note	2022 NZ$m	2021 NZ$m
Allowance for ECL on undrawn and contingent facilities	12	105	122
Customer remediation		70	98
Restructuring costs		11	25
Leasehold make good		22	22
Other		14	28
Total other provisions		222	295

Movements in other provisions

	Customer remediation NZ$m	Restructuring costs NZ$m	Leasehold make good NZ$m	Other NZ$m
Balance at start of year	98	25	22	28
New and increased provisions made during the year	3	5	2	1
Provisions used during the year	(31)	(16)	(2)	-
Unused amounts reversed during the year	-	(3)	-	(15)
Balance at end of year	70	11	22	14

Customer remediation
Customer remediation includes provisions for expected refunds to customers and other counterparties, remediation project costs and related customer, counterparty and regulatory claims, penalties and litigation costs and outcomes.

Restructuring costs
Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Banking Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Leasehold make good
Provisions associated with leased premises where, at the end of a lease, the Banking Group is required to remove any fixtures and fittings installed in the leased property. This obligation arises immediately upon installation. Estimated make good costs are added to the leasehold improvement asset (within premises and equipment) upon installation and amortised over the lease term.

Other
Other provisions comprise various other provisions including losses arising from other legal action, operational issues, and warranties and indemnities provided in connection with various disposals of businesses and assets.

RECOGNITION AND MEASUREMENT

The Banking Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Banking Group holds provisions for various obligations including customer remediation, restructuring costs, leasehold make good and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice and adjustments are made to the provisions where appropriate.

21. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2022 NZ$m	2021 NZ$m
Share capital	12,438	11,888
Reserves		
FVOCI reserve	22	62
Cash flow hedge reserve	26	8
Total reserves	48	70
Retained earnings	5,298	4,934
Total shareholders' equity	17,784	16,892

SHARE CAPITAL

The table below details the movement in issued shares and share capital for the period.

	Number of issued shares		NZ$ millions	
	2022	2021	2022	2021
Ordinary shares	6,345,755,498	6,345,755,498	11,588	11,588
Preference shares				
Preference shares at start of year	300,000,000	300,000,000	300	300
Preference shares issued during the year	550,000,000	-	550	-
Preference shares	850,000,000	300,000,000	850	300
Total share capital	7,195,755,498	6,645,755,498	12,438	11,888

Preference shares

There are two classes of preference shares: preference shares issued in 2013 and perpetual preference shares issued in 2022.

As at 30 September 2022, the preference shares qualify as AT1 capital for RBNZ's capital adequacy purposes.

2013 preference shares – NZD 300 million

The 2013 preference shares (PS) are issued to the Immediate Parent Company. The key terms of the PS are as follows:

PS dividends

PS 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 PS dividend payment date if a PS dividend is not paid.

Should the Bank elect to pay a PS dividend, the PS dividend is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PS dividend is fully imputed), with PS dividend payments due on 1 March and 1 September each year.

The Bank paid a dividend on the PS on 1 March and 1 September during the years ended 30 September 2022 and 30 September 2021, and aggregate amounts are shown in the statement of changes in equity.

Redemption features

The PS are redeemable, subject to prior written approval of RBNZ. Under RBNZ's new capital requirements, from 1 January 2022, the PS are subject to a progressive reduction in their regulatory capital recognition. As a result, the Bank has determined that a regulatory event has occurred in respect of the PS. The occurrence of a regulatory event means that the Bank may choose to redeem the PS at its discretion, subject to prior written approval of RBNZ. As at 11 November 2022, no decision has been made on whether the Bank will redeem the PS.

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

2022 preference shares – NZD 550 million

Perpetual preference shares (PPS) are issued to parties outside of the Overseas Banking Group. The key terms of the PPS are as follows:

PPS dividends

PPS dividends are payable at the discretion of the Directors of the Bank and are non-cumulative. The Bank must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares until the next PPS dividend payment date if a PPS dividend is not paid.

Should the Bank elect to pay a PPS dividend, the PPS dividend is 6.95% per annum up until 18 July 2028 and thereafter a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed), with PPS dividend payments scheduled to be paid on 18 January, 18 April, 18 July and 18 October each year.

No PPS dividends were due during the year ended 30 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

21. SHAREHOLDERS' EQUITY (CONTINUED)

Redemption features

Holders of PPS have no right to require that the PPS be redeemed. The Bank may at its option redeem all of the PPS on an optional redemption date (each dividend date from 18 July 2028); or at any time following the occurrence of a tax event or regulatory event, in each case subject to prior written approval of RBNZ and other conditions being met.

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Bank, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Preference shares	Preference shares do not carry any voting rights. They 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. 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 AT1 capital notes but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.
Reserves:	
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes the changes in fair value of investment securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for ECL, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.

22. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

The Banking Group's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of the Banking Group's capital position; and
- ensure that the capital base supports the Banking Group's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group's Internal Capital Adequacy Assessment Process (ICAAP) policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for common equity tier 1, tier 1 and total capital that ensure sufficient capital is maintained to:

- meet minimum prudential requirements imposed by regulators;
- ensure consistency with the Banking Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- support the internal risk capital requirements of the business.

ALCO is responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group's ICAAP is subject to independent and periodic review.

Throughout the year, the Banking Group maintained compliance with RBNZ's minimum capital ratios.

REGULATORY ENVIRONMENT

As the Bank is a registered bank in New Zealand, it is primarily regulated by RBNZ under the Banking (Prudential Supervision) Act 1989. The Bank must comply with the minimum regulatory capital requirements, capital ratios and specific reporting levels that RBNZ sets. RBNZ requirements are summarised below:

	Regulatory capital definition	Minimum capital ratios
Common Equity Tier 1 (CET1) capital	Comprises ordinary share capital, retained earnings, and certain accounting reserves. Some amounts (e.g. the value of goodwill) must be deducted to determine the final value of CET1 capital.	CET1 capital divided by total risk weighted assets must be at least 4.5%.
Tier 1 capital	CET1 capital plus additional tier 1 instruments, which comprise high-quality capital and must: • provide a permanent and unrestricted commitment of funds; • be freely available to absorb losses; and provide for fully discretionary capital distributions.	Tier 1 capital divided by total risk weighted assets must be at least 6.0%.
Total capital	Tier 1 plus Tier 2 capital. Tier 2 instruments include some subordinated instruments and accounting reserves that are not included in Tier 1 capital. Some amounts are deducted in determining the value of Tier 2 instruments.	Total capital divided by total risk weighted assets must be at least 8.0%.
Capital buffer	The Capital buffer is actual CET1 capital in excess of any of the minimum capital requirements imposed on the Bank.	Capital buffer divided by total risk weighted assets should be at least 3.5% (2021: 2.5%).

	Reporting levels
Solo consolidated	The registered bank plus subsidiaries which are funded exclusively and wholly owned by the registered bank.
Banking Group	The registered bank's consolidated group.

The Bank measures capital adequacy and reports to RBNZ on a Banking Group basis monthly, and measures capital adequacy on a Solo consolidated basis quarterly. Banking Group and Solo consolidated capital ratios are reported publicly in six-monthly disclosure statements.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL MANAGEMENT (continued)

CAPITAL ADEQUACY

The following table provides details of the Banking Group's capital ratios at 30 September:

Unaudited	2022 NZ$m	2021 NZ$m
Qualifying capital		
Tier 1		
Shareholder's equity	17,784	16,892
Prudential adjustments to shareholders' equity[1]	(857)	(300)
Gross Common Equity Tier 1 capital	16,927	16,592
Deductions	(3,589)	(3,591)
Common Equity Tier 1 capital	13,338	13,001
Additional tier 1 capital	2,791	2,752
Tier 1 capital	16,129	15,753
Tier 2 capital	1,562	635
Total capital	17,691	16,388
Capital adequacy ratios		
Common Equity Tier 1	12.4%	13.4%
Tier 1	15.0%	16.2%
Tier 2	1.4%	0.7%
Total	16.4%	16.9%
Prudential capital buffer ratio	7.9%	8.9%
Risk weighted assets	107,677	97,177

1 Includes preference shares and a deduction for dividends on AT1 capital instruments approved by the Bank's board, but not yet paid as at 30 September 2022, as required by BPR110 *Capital Definitions*.

23. CONTROLLED ENTITIES

The following table lists the subsidiaries of the Banking Group. All subsidiaries are 100% owned and incorporated in New Zealand unless stated otherwise.

ANZ Bank New Zealand Limited	Nature of business Registered bank
ANZ Custodial Services New Zealand Limited	Custodian and nominee
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ National Staff Superannuation Limited	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Holdings Limited[1]	Holding company
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Investments Nominees Limited	Custodian and nominee
OneAnswer Nominees Limited	Wrap services provider
ANZNZ Covered Bond Trust[2]	Securitisation entity
Arawata Assets Limited	Property
Endeavour Finance Limited	Investment
Kingfisher NZ Trust 2008-1[2]	Securitisation entity

1 Formerly ANZ Wealth New Zealand Limited.
2 The Banking Group does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as the Banking Group retains substantially all the risks and rewards of the operations. Details of the Banking Group's interest in consolidated structured entities is included in Note 24 structured entities.

Changes in controlled entities

ANZ New Zealand Securities Limited amalgamated with the Bank on 31 March 2022.

RECOGNITION AND MEASUREMENT

The Banking Group subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Banking Group assesses whether it has power over those entities by examining the Banking Group's existing rights to direct the relevant activities of the entity.

24. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Banking Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Banking Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Banking Group uses the Kingfisher NZ Trust 2008-1 (the Kingfisher Trust) to securitise residential mortgages that it has originated, in order to diversify sources of funding for liquidity management. The Kingfisher Trust is an internal securitisation (bankruptcy remote) vehicle we created for the purpose of structuring assets that are eligible for repurchase under agreements with RBNZ (these are known as 'Repo eligible'). The Banking Group is exposed to variable returns from its involvement with the Kingfisher Trust and has the ability to affect those returns through its power over the Kingfisher Trust's activities. The Kingfisher Trust is therefore consolidated. As at 30 September 2022 and 30 September 2021, the Banking Group had entered into repurchase agreements with RBNZ in relation to the TLF and FLP. Additionally, the Banking Group may acquire interests in securitisation vehicles set up by third parties through providing lending facilities to, or holding securities issued by, such entities.
ANZNZ Covered Bond Trust (the Covered Bond Trust)	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 ANZNZ Covered Bond Trust Limited 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. The Banking Group is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Covered Bond Trust's activities. The Covered Bond Trust is therefore consolidated.
Structured finance arrangements	The Banking Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Banking Group may provide risk management products (derivatives) to the SE. In all instances, the Banking Group does not control these SEs. Further, the Banking Group's involvement does not establish more than a passive interest in decisions about the relevant activities of the SE, and accordingly we do not consider that interest disclosable.
Funds management activities	The Banking Group is the scheme manager for a number of Managed Investment Schemes (MIS). These MIS include the ANZ and OneAnswer branded KiwiSaver, retail and wholesale schemes and the Bonus Bonds Scheme. These MIS are financed through the issue of units to investors and the Banking Group considers them to be SEs. The Banking Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures to the MIS that would allow the Banking Group to control the funds. Therefore, these MIS are not consolidated.

NOTES TO THE FINANCIAL STATEMENTS

24. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

Financial or other support provided to Consolidated Structured Entities

The Bank provides lending facilities, derivatives and commitments to the Kingfisher Trust and the Covered Bond Trust and/or holds debt instruments that they have issued. The Bank did not provide any non-contractual support to consolidated SEs during the year (2021: nil).

UNCONSOLIDATED STRUCTURED ENTITIES

The Banking Group's interest in Unconsolidated Structured Entities

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Banking Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Banking Group's involvement is not more than a passive interest - for example: when the Banking Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Banking Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Banking Group to market risk (rather than performance risk specific to the SE) or derivatives through which the Banking Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The Banking Group earned funds management fees from its MIS of NZ$196 million (2021: NZ$204 million) during the year. As at 30 September 2022, the Banking Group had total funds under management of NZ$34.3 billion (2021: NZ$39.0 billion) of which NZ$24.6 billion (2021: NZ$28.5 billion) related to its MIS, with the largest individual fund being approximately NZ$3.8 billion (2021: NZ$4.3 billion).

The Banking Group did not provide any non-contractual support to unconsolidated SEs during the year (2021: nil): nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Banking Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Banking Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Banking Group is the major user of that SE; or
- the Banking Group's name appears in the name of that SE, or on its products; or
- the Banking Group provides implicit or explicit guarantees of that SE's performance.

The Bank has sponsored the ANZ PIE Fund, which invests only in deposits with the Bank. The Banking Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Banking Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

25. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Banking Group enters into transactions where it transfers financial assets directly to third parties. These transfers may give rise to the Banking Group fully, or partially, derecognising those financial assets - depending on the Banking Group's exposure to the risks and rewards or control over the transferred assets. If the Banking Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Banking Group's balance sheet in its entirety.

Covered bonds

The Banking Group operates a covered bond programme to raise funding. Refer to Note 24 structured entities for further details. The covered bonds issued externally are included within debt issuances.

Repurchase agreements

When the Banking Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Covered bonds		Repurchase agreements	
	2022 NZ$m	2021 NZ$m	2022 NZ$m	2021 NZ$m
Current carrying amount of assets transferred	10,921	11,406	5,327	1,918
Carrying amount of associated liabilities	4,082	4,248	4,642	1,663

26. RELATED PARTY DISCLOSURES

Key management personnel and their related parties

Key management personnel (KMP) are defined as directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Banking Group. Executive roles included in KMP are the Bank's Chief Executive Officer (CEO), all executives reporting directly to the Bank's CEO, and the CEO – NZ Branch.

Key management personnel compensation[1]	2022 NZ$000	2021 NZ$000
Salaries and short-term employee benefits	12,077	11,256
Post-employment benefits	365	192
Other long-term benefits[2]	93	68
Termination benefits[3]	68	1,308
Share-based payments	2,887	2,395
Total	15,490	15,219

1 Includes former disclosed KMPs until the end of their employment, and close family members of KMP employed by the Banking Group.
2 Comprises long service leave accrued during the year.
3 Includes payments for accrued annual leave, long service leave and pay in lieu of notice in accordance with contract, payable on cessation.

Transactions and balances with key management personnel and their related parties[1]	2022 NZ$m	2021 NZ$m
Secured loans and advances	28	26
Credit related commitments (undrawn loan facilities)	3	3
Interest income	1	1
Customer deposits[2]	17	19
Payables and other liabilities (share-based payments liability)	3	2

1 Includes KMP, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members, of the Banking Group and its parent companies.
2 Includes holdings of units in the ANZ PIE Fund (a sponsored unconsolidated structured entity) which are invested solely in deposits of the Bank.

Loans made to KMP and their related parties are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off or forgiven, or individually assessed allowances for expected credit losses raised in respect of these balances (2021: nil).

All other transactions with KMP and their related parties are made on terms and conditions no more favourable than those given to other employees or customers. These transactions generally involve the provision of financial and investment services. In addition to the amounts above:

- Aggregate amounts for each of unsecured loans and advances, interest expense, fee income, debt issuances and collectively assessed credit impairment charge and allowance for expected credit losses were less than NZ$1 million for both years presented.
- KMP and their related parties also hold units in MIS managed by the Banking Group. Transactions and balances in respect of these MIS holdings are not disclosed because those MIS are unconsolidated structured entities and not included in the financial statements of the Banking Group.
- Some KMP pay the Banking Group for the use of carparks in premises owned or leased by the Banking Group. These amounts were less than NZ$0.1 million (2021: less than NZ$0.1 million).

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES (continued)

Transactions with other members of the Overseas Banking Group and associates

The Banking Group undertakes transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the Overseas Banking Group and associates.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to Banking Group employees. These transactions are conducted on an arm's length basis and on normal commercial terms.

Transactions	2022 NZ$m	2021 NZ$m
Immediate Parent Company		
Dividends paid	1,924	908
Ultimate Parent Bank and other subsidiaries not part of the Banking Group		
Interest income	5	2
Interest expense	129	103
Loss on sale of mortgages to the NZ Branch	(2)	-
Other operating income	9	16
Operating expenses	107	120
Mortgages sold to the NZ Branch	66	130
Mortgages repurchased from the NZ Branch	18	17
Associates		
Operating expenses	3	2

Outstanding balances	2022 NZ$m	2021 NZ$m
Ultimate Parent Bank and other subsidiaries not part of the Banking Group		
Cash and cash equivalents	36	152
Collateral paid	268	-
Derivative financial instruments	8,556	5,352
Other assets	76	41
Total due from related parties	8,936	5,545
Immediate Parent Company		
Deposits and other borrowings	65	28
Derivative financial instruments	3	1
Ultimate Parent Bank and other subsidiaries not part of the Banking Group		
Settlement balances payable	933	129
Collateral received	-	242
Deposits and other borrowings	11	85
Derivative financial instruments	8,934	5,018
Payables and other liabilities	40	32
Debt issuances	1,943	1,942
Associates		
Deposits and other borrowings	1	1
Total due to related parties	11,930	7,478

Balances due from / to other members of the Overseas Banking Group and associates are unsecured. The Bank has provided guarantees and commitments to, and received guarantees from, these entities as follows.

	2022 NZ$m	2021 NZ$m
Financial guarantees provided by the Ultimate Parent Bank and other subsidiaries not part of the Banking Group	262	219
Financial guarantees provided to the Ultimate Parent Bank and other subsidiaries not part of the Banking Group	89	100
Performance related contingent liabilities to the Ultimate Parent Bank	58	-
Undrawn facilities provided to the Immediate Parent Company	250	250
Undrawn facilities provided to associates	1	1

27. COMMITMENTS AND CONTINGENT LIABILITIES

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2022 NZ$m	2021 NZ$m
Contract amount of:		
Undrawn facilities	27,310	27,420
Guarantees and letters of credit	1,225	1,181
Performance related contingencies	1,757	1,551
Total	30,292	30,152

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Banking Group may be required to pay, the full amount of undrawn facilities mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Banking Group has entered into as principal – including: guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Banking Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Banking Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Banking Group may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies mature within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 (refer to Note 20 other provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of the Banking Group.

REGULATORY AND CUSTOMER EXPOSURES

The Banking Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities both in New Zealand and globally. 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. The nature of these interactions can be wide ranging and, for example, may include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

The Bank self-identified three prescribed transaction reporting (PTR) matters to RBNZ, where transaction reports had not been filed within the prescribed timeframe. RBNZ has informed the Bank that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009 relating to PTR. RBNZ's enforcement team is considering this matter. The potential outcome of these matters remains uncertain at this time.

LOAN INFORMATION LITIGATION

In September 2021, representative proceedings were brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations. The proceedings are still at an early stage. A hearing of the plaintiff's application for leave to bring representative proceedings was heard before the High Court in May 2022. The Court has ruled that the proceedings shall proceed as an opt-out representative action brought by one representative plaintiff on behalf of a class, being customers who entered into a home loan or personal loan with the Bank between 6 June 2015 and 28 May 2016 and requested a variation to that loan during that period.

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, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

REVIEWS UNDER SECTION 95 OF THE RESERVE BANK OF NEW ZEALAND ACT 1989 (RBNZ ACT)

Following a RBNZ notice under section 95 of the RBNZ Act in July 2019, the Bank obtained two external reviews. The first review was on the Bank's compliance with certain aspects of the RBNZ Banking Supervision Handbook document Capital Adequacy Framework (Internal Models Based Approach) (BS2B) (Capital Adequacy Review), and the second review was on the effectiveness of the Bank's directors' attestation and assurance framework (Attestation Review).

A summary of the final Attestation Review was published in March 2022. The report found that the Bank has taken appropriate steps to address the recommendations from the 2019 Attestation Review report. The review noted that there has been a marked uplift in the overall capabilities within the Bank in respect to the attestation process, with heightened focus and scrutiny from management, executives and the Bank's board. The review also noted while there are elements of the framework still in the process of being embedded, the key changes recommended in the 2019 Attestation Review report have been appropriately addressed.

The final Capital Adequacy Review was completed in December 2021. The report found that the Bank had made significant progress to address non-compliance issues and improvement items identified by the 2019 Capital Adequacy Review report. In particular, as at 30 September 2022 all previously non-compliant capital models have been approved by RBNZ.

28. AUDITOR FEES

	2022 NZ$000	2021 NZ$000
KPMG New Zealand		
Audit or review of financial statements[1]	2,050	2,173
Audit related services:		
Prudential and regulatory services[2]	196	333
Offer documents assurance or review	130	117
Other assurance services[3]	40	47
Total audit related services	366	497
Total auditor fees relating to the Banking Group	2,416	2,670
Fees related to certain managed funds not recharged[4]	262	244
Total auditor fees	2,678	2,914

1 Includes fees for both the audit of annual financial statements and reviews of interim financial statements.
2 Includes fees for reviews and controls reports required by regulations.
3 Includes fees for other reviews and agreed upon procedures engagements.
4 Amounts relate to the ANZ PIE Fund, ANZ Investments Private Scheme and SIL Mutual Funds, and include fees for audits of annual financial statements, registry audits, supervisor reporting and other agreed upon procedures engagements.

The Banking Group's Policy allows KPMG New Zealand to provide assurance and other audit related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as RBNZ. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG New Zealand may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

29. POTENTIAL NEW ULTIMATE HOLDING COMPANY

On 4 May 2022, the Ultimate Parent Bank announced its intention to lodge a formal application with APRA, the Australian Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-bank groups within the organisation to assist the Overseas Banking Group to better deliver its strategy to strengthen and grow its core business further.

Should the proposed restructure proceed, the Ultimate Parent Company will establish a non-operating holding company, ANZ Group Holdings Limited, as the new listed parent holding company of the ANZ Group by a scheme of arrangement and to separate the Overseas Banking Group's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The 'ANZ Bank Group' would comprise the current Australia and New Zealand Banking Group Limited and the majority of its present-day subsidiaries. The 'ANZ Non-Banking Group', would house banking-adjacent businesses developed or acquired by the ANZ Group, as we continue to seek ways to bring the best new technology and banking-adjacent services to our customers.

The Explanatory Memorandum has been registered with the Australian Securities and Investments Commission and the Ultimate Parent Bank shareholders will be asked to vote on the scheme on 15 December 2022. A copy of the Explanatory Memorandum is available on the website anz.com/schememeeting.

This is not expected to have a material impact on the Banking Group.

REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

B1. GENERAL DISCLOSURES (UNAUDITED)

Details of ultimate parent bank and ultimate holding company

The ultimate parent bank and ultimate holding company of the Bank is Australia and New Zealand Banking Group Limited (Ultimate Parent Bank). The address for service of the Ultimate Parent Bank is ANZ Centre, Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Restrictions on the Ultimate Parent Bank's ability to provide financial support

Effect of APRA's Prudential Standards

The Banking Group is subject to extensive prudential regulation by APRA. APRA's current or future requirements may have an adverse effect on the Bank's business, results of operations, liquidity, capital resources or financial condition.

APRA Prudential Standard APS 222 *Associations with Related Entities* (APS 222) sets minimum requirements for authorised deposit-taking institutions (ADIs) in Australia, including the Ultimate Parent Bank, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS 222, the Ultimate Parent Bank's ability to provide financial support to the Bank is subject to the following restrictions:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank must not hold unlimited exposures (i.e. should be limited as to specified time or amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank must not enter into cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default by the Ultimate Parent Bank on its obligations; and
- the level of exposure, net of exposures deducted from capital, of the Ultimate Parent Bank's Level 1 Tier 1 capital base to the Bank should not exceed: (A) 25% on an individual exposure basis; or (B) 75% in aggregate (being exposures to all similar regulated ADI equivalent entities related to the Ultimate Parent Bank).

In addition, since 1 January 2021, no more than 5% of the Ultimate Parent Bank's Level 1 Tier 1 capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as the Banking Group and the New Zealand Branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the Bank during times of financial stress.

APRA has also confirmed that contingent funding support by the Ultimate Parent Bank to the Bank during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding.

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on 1 July 2017. This framework also requires that the Ultimate Parent Bank must limit its financial and operational exposures to subsidiaries (including the Bank).

In determining the acceptable level of exposure to a subsidiary, the Board of the Ultimate Parent Bank should have regard to:

- the exposures that would be approved for third parties of broadly equivalent credit status;
- the potential impact on the Ultimate Parent Bank's capital and liquidity positions; and
- the Ultimate Parent Bank's ability to continue operating in the event of a failure by the Bank.

These requirements are not expected to place additional restrictions on the Ultimate Parent Bank's ability to provide financial or operational support to the Bank.

Other APRA powers

The Ultimate Parent Bank may not provide financial support in breach of the Australian Banking Act 1959 (the Banking Act). Under the Banking Act:

- APRA must exercise its powers and functions for the protection of a bank's depositors in Australia and for the promotion of financial system stability in Australia; and
- in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia are to be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The requirements of the Banking Act and the exercise by APRA of its powers have the potential to impact the management of the liquidity of the Bank.

Interests in 5% or more of voting securities of the Bank

The Immediate Parent Company holds 100% of the voting securities of the Bank. The Immediate Parent Company has the direct ability to appoint 100% of the Directors of the Bank, subject to RBNZ advising that it has no objection to the appointment in accordance with the Bank's conditions of registration. RBNZ also has the power under section 113B of the Banking (Prudential Supervision) Act 1989, after obtaining the consent of the Minister of Finance, to remove, replace, or appoint directors in certain circumstances.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Priority of creditors' claims

In the event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank.

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 16, SAP Tower, 151 Queen Street, Auckland 1010, 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 33 for further details, and to page 51 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 11 November 2022.

Auditors

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

Directors

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Transactions with Directors

No Director has disclosed that he/she or any immediate relative or professional associate has any dealing with the Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties as a Director of the Bank.

Board Audit Committee

There is a Board Audit Committee which covers audit matters. The committee has five members. Each member is a non-executive Director, and each satisfy the criteria for independence.

Policy of the Board of Directors for avoiding or dealing with conflicts of interest

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the Board has adopted a protocol setting out the procedures for Directors to follow to disclose and manage conflicts of interest. This protocol will be reviewed annually. In addition:

- at least once in each year, Directors are requested to confirm and disclose, in terms of section 140(1) of the Companies Act 1993, any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.
- Directors are also requested to confirm and make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993.

In addition to the disclosures referred to above, Directors disclose relevant interests which they have before discussion of particular business items. Disclosures are entered into the Bank's Interests Register. The Companies Act 1993 allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. However, under the protocol the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)



	Rt Hon Sir John Key, GNZM AC	Antonia Watson	Shayne Elliott
Position	Independent Non-Executive Director and Chair	Chief Executive Officer and Director	Non-Executive Director
Occupation	Company Director	Chief Executive Officer New Zealand and Group Executive	Chief Executive Officer, Australia and New Zealand Banking Group Ltd
Qualifications	BCom, DCom (Honoris Causa)	BCom (Hons), GAICD	BCom
Resides	Auckland, New Zealand	Auckland, New Zealand	Melbourne, Australia
Other company directorships	Australia and New Zealand Banking Group Ltd, Kyro Capital Ltd, Palo Alto Networks Inc, Sashimi Holdings Ltd, Thirty Eight JK Ltd, Thirty Eight JK Aviation Ltd	ANZ Holdings (New Zealand) Ltd, Banking Ombudsman Scheme Ltd, Mehek Holdings Ltd	Australia and New Zealand Banking Group Ltd, Financial Markets Foundation for Children



	Gerard Florian	Alison Gerry	Scott St John
Position	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Occupation	Group Executive, Technology, Australia and New Zealand Banking Group Ltd	Company Director	Company Director
Qualifications	Electronic Engineering Certificate	BMS (Hons), MAppFin, CFInstD	BCom, Diploma of Business
Resides	Sydney, Australia	Queenstown, New Zealand	Auckland, New Zealand
Other company directorships	Floco Industries Pty Ltd	Air New Zealand Ltd, Glendora Avocados Ltd, Glendora Holdings Ltd, Infratil Ltd, On Being Bold Ltd, Sharesies Ltd, Sharesies AU Group Ltd, Sharesies Group Ltd, Sharesies Investment Management Ltd, Sharesies Nominee Ltd	Captain Cook Nominees Ltd, Fisher & Paykel Healthcare Corporation Ltd, Fisher & Paykel Healthcare Employee Share Purchase Trustee Ltd, Fonterra Co-operative Group Ltd, Hutton Wilson Nominees Ltd, Mercury NZ Limited, Te Awanga Terraces Ltd


	Mark Verbiest	Joan Withers
Position	Independent Non-Executive Director	Independent Non-Executive Director
Occupation	Company Director	Company Director
Qualifications	LLB, CFInstD	MBA, CFInstD
Resides	Wanaka, New Zealand	Auckland, New Zealand
Other company directorships	Bear Fund NZ Ltd, Freightways Ltd, Summerset Group Holdings Ltd, Summerset LTI Trustee Ltd, Meridian Energy Ltd	On Being Bold Ltd, Origin Energy Ltd, Sky Network Television Ltd, The Warehouse Group Ltd, The Warehouse Planit Trustees Ltd, The Warehouse Management Trustee Company Ltd, The Warehouse Management Trustee Company No.2 Ltd

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Conditions of registration

The following conditions of registration were applicable as at 30 September 2022, and have applied from 5 September 2022.

The registration of ANZ Bank New Zealand Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

(a) the Total capital ratio of the banking group is not less than 8%;

(b) the Tier 1 capital ratio of the banking group is not less than 6%;

(c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

(d) the Total capital of the banking group is not less than $30 million.

For the purposes of this condition of registration, —

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formulae for calculating the ratios, —

(a) the term "total capital requirement for operational risk" has the same meaning as in BPR150: Standardised Operational Risk; and

(b) for the purpose of calculating the term "total RWA equivalents", in calculating the component "total credit risk RWAs" under section C1.4 of BPR130: Credit Risk RWAs Overview, the bank must add the sum of the following amounts to the term "total RWAs calculated using the IRB approach":

(i) the greater of:
(A) 27.66 percent of the exposure-at-default (EAD) amount of non-defaulted standard residential mortgage loans less the risk-weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted standard residential mortgage loans; and
(B) zero;

and

(ii) the greater of:
(A) 75.47 percent of the exposure-at-default (EAD) amount of non-defaulted corporate farm lending exposures less the risk-weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted corporate farm lending exposures; and
(B) zero;

"standard residential mortgage loan" has the same meaning as in section C3.4 of BPR131: Standardised Credit Risk RWAs;

"Total capital" has the same meaning as in BPR110: Capital Definitions.

1A. That—

(a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the bank must—

(a) comply with the minimum requirements for using the IRB approach set out in BPR134: IRB Minimum System Requirements;

(b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: AMA Operational Risk;

(c) follow the process in Part E of BPR120: Capital Adequacy Process Requirements for obtaining Reserve Bank approval for any changes to any IRB credit risk model;

(d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: Capital Adequacy Process requirements.

1C. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 3.5% or less, the bank must—

(a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio: and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% - 0.5%	0%	Stage 3
>0.5 - 1%	30%	Stage 2
>1 - 2%	60%	Stage 1
>2 - 3.5%	100%	None

(b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration,—

"prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formula for calculating the buffer ratio, the term "total capital requirement for operational risk" has the same meaning as in BPR150: Standardised Operational Risk;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1CA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

1D. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank[1]	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

[1] This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2021.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;

(b) the majority of the board members must be non-executive directors;

(c) at least half of the board members must be independent directors;

(d) an alternate director,—

(i) for a non-executive director must be non-executive; and

(ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the bank must be independent; and

(g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:
   (a) that the bank's clearing and settlement obligations due on a day can be met on that day;
   (b) that the bank's financial risk positions on a day can be identified on that day;
   (c) that the bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
   (d) that the bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

   This condition ceases to apply in respect of an existing outsourcing arrangement on the earlier of either 1 October 2023 or when the existing outsourcing arrangement becomes compliant with condition 21, from which point in time condition 21 will apply to that outsourcing arrangement.

   For the purposes of this condition of registration:
   (a) the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006; and
   (b) the term "existing outsourcing arrangement" is defined in the Reserve Bank of New Zealand document entitled "Outsourcing Policy (BS11)" dated September 2022.

12. That:
   (a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
   (b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and
   (c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:
   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
   (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
   (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
   (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
   (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a *de minimis* to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "*de minimis*", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

18. That the bank has an Implementation Plan that—

(a) is up-to-date; and

(b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated June 2022.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

19. That the bank has a compendium of liabilities that—

(a) at the product-class level lists all liabilities, indicating which are—

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

21. That the bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2022.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

22. That, for a loan-to-valuation measurement period ending on or after 31 July 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
23. That, for a loan-to-valuation measurement period ending on or before 31 December 2021, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
24. That, for a loan-to-valuation measurement period ending on or after 31 January 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
25. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"banking group" means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1D, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

BPR document	Version date
BPR100: Capital adequacy	1 October 2021
BPR110: Capital definitions	1 October 2021
BPR120: Capital adequacy process requirements	1 July 2021
BPR130: Credit risk RWAs overview	1 July 2021
BPR131: Standardised credit risk RWAs	1 October 2021
BPR132: Credit risk mitigation	1 October 2021
BPR133: IRB credit risk RWAs	1 October 2021
BPR134: IRB minimum system requirements	1 July 2021
BPR140: Market risk exposure	1 October 2021
BPR150: Standardised operational risk	1 July 2021
BPR151: AMA operational risk	1 July 2021
BPR160: Insurance, securitisation, and loan transfers	1 July 2021
BPR001: Glossary	1 July 2021

In conditions of registration 22 to 25,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"loan-to-valuation measurement period" means a period of three calendar months ending on the last day of the third calendar month.

Changes to the Bank's conditions of registration since the last disclosure statement (for the six months ended 31 March 2022)

The Bank's conditions of registration have been amended to:
- refer to updated versions of BS11 and BS17 (effective 23 June 2022), BS13 (effective 1 July 2022) and BS11 (effective 5 September 2022);
- increase the prudential capital buffer to 3.5% from 2.5% as part of the implementation of the capital review decisions (effective 1 July 2022);
- remove restrictions of the payments of ordinary dividends and redemption of capital instruments (effective 1 July 2022).

Material non-compliance with conditions of registration: Condition of registration 1B – non-compliance with BPR120

As first reported in the disclosure statement for the year ended 30 September 2019, the Bank had not complied with condition of registration 1B in relation to the implementation of changes to 17 rating models and processes that were not approved by RBNZ. Applying the last RBNZ approved methodologies to the affected exposures as at 30 September 2019 would have decreased Risk Weighted Assets (RWA) by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

The Bank's model compendium required under Part E1.5 of BPR120 was non-compliant as it included unapproved model changes. An updated model compendium was submitted to RBNZ in April 2021, and RBNZ confirmed the compendium as being compliant in October 2021.

All previously non-compliant models were submitted to RBNZ for approval with the last remaining approval received on 29 September 2022. As at 30 September 2022 all previously non-compliant models have been approved by RBNZ.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Other material matters

Climate related disclosures

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 with effect from 27 October 2022. The amendments will require the Banking Group to produce Climate Related Disclosures (CRD) from the year ending 30 September 2024, in accordance with CRD reporting standards to be issued by the External Reporting Board. The Banking Group is actively preparing to produce CRD in accordance with this timetable.

New RBNZ capital requirements

RBNZ has released new bank capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in RBNZ's Banking Prudential Requirements documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements are:

- The Banking Group's total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. The increased capital ratios requirement will be implemented progressively from 1 July 2022 to 1 July 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer, which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing; and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 2022, the Bank had NZ$2,241 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over the transition period to 1 July 2028.
- As an internal ratings based approach accredited bank, the Banking Group's RWA outcomes will be increased to approximately 90% of what would be calculated under the standardised approach. This will be achieved by applying an 85% output floor from 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022. The effect of the scalar increase on the Banking Group's capital ratios and RWA is shown in the tables below.

RBNZ's reforms will result in a material increase in the level of capital that the Banking Group is required to hold. The reforms could have a material impact on the Banking Group and its business, including on its capital allocation and business planning.

RBNZ capital ratios

As at	30 Sep 2022	1 Oct 2022
Common equity tier 1 capital	12.4%	11.9%
Tier 1 capital	15.0%	14.4%
Total capital	16.4%	15.8%
Prudential capital buffer ratio	7.9%	7.4%

Risk weighted exposure or implied risk weighted exposure

As at	30 Sep 2022 NZ$m	1 Oct 2022 NZ$m
Exposures subject to the IRB or slotting approaches (scalar increased from 1.06 to 1.2)	58,981	66,723
Exposures subject to the standardised approach (scalar decreased from 1.06 to 1.0)	4,880	4,621
Credit risk supervisory adjustment (scalar increased from 1.06 to 1.20)	19,727	22,333
Output floor balancing item	5,922	-
Total credit risk	89,510	93,677
Market risk	6,596	6,596
Operational risk	11,571	11,571
Total	107,677	111,844

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Credit rating

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.

Fitch Ratings changed the outlook on the Bank from Negative to Stable on 12 April 2021. S&P Global Ratings changed the outlook on the Bank from Negative to Stable on 7 June 2021.

As at 11 November 2022, the Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Stable
Fitch Ratings	A+	Outlook Stable
Moody's Investors Service	A1	Outlook Stable

The following table describes the credit rating grades available. The descriptions are from S&P Global Ratings. Credit ratings from S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

	S&P Global Ratings	Moody's Investors Service	Fitch Ratings
Investment grade:			
Extremely strong capacity to meet financial commitments. Highest rating.	AAA	Aaa	AAA
Very strong capacity to meet financial commitments.	AA	Aa	AA
Strong ability to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.	A	A	A
Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.	BBB	Baa	BBB
Speculative grade:			
Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.	BB	Ba	BB
More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.	B	B	B
Currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments.	CCC	Caa	CCC
Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty.	CC to C	Ca	CC to C
Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed or similar action taken.	D	C	RD & D

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Historical summary of financial statements

Income statement

For the year ended 30 September	2022 NZ$m	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m
Interest income	5,811	4,600	5,568	6,423	6,390
Interest expense	(2,035)	(1,176)	(2,306)	(3,179)	(3,240)
Net interest income	3,776	3,424	3,262	3,244	3,150
Non-interest income	1,087	765	807	946	1,126
Operating income	4,863	4,189	4,069	4,190	4,276
Operating expenses	(1,653)	(1,621)	(1,752)	(1,608)	(1,517)
Credit impairment release / (charge)	(39)	114	(403)	(101)	(55)
Profit before income tax	3,171	2,682	1,914	2,481	2,704
Income tax expense	(882)	(743)	(541)	(662)	(751)
Profit after income tax	2,289	1,939	1,373	1,819	1,953

Balance sheet

As at 30 September	2022 NZ$m	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m
Total assets	201,134	184,769	179,744	169,416	159,012
Total individually impaired assets	146	155	361	285	321
Total impaired assets (i.e. Stage 3)	734	773	1,169	729	n/a
Total liabilities	183,350	167,877	163,875	154,986	145,903
Equity	17,784	16,892	15,869	14,430	13,109
Other items included in Equity					
Dividends paid	(1,924)	(908)	(9)	(411)	(4,611)
Share capital issued	550	-	-	-	3,000

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

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 27 commitments and contingent liabilities.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

	2022 NZ$m	2021 NZ$m
Total interest earning and discount bearing assets	179,748	170,849
Total interest and discount bearing liabilities	145,687	136,312

Additional information on interest rate sensitivity

The following table represents 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.

2022	Total NZ$m	Up to 3 months NZ$m	Over 3 to 6 months NZ$m	Over 6 to 12 months NZ$m	Over 1 to 2 years NZ$m	Over 2 years NZ$m	Not bearing interest[1] NZ$m
Assets							
Cash and cash equivalents	12,575	11,856	-	-	-	-	719
Settlement balances receivable	785	-	-	-	-	-	785
Collateral paid	1,672	1,672	-	-	-	-	-
Trading securities	7,228	1,202	446	532	1,002	4,046	-
Derivative financial instruments	15,481	-	-	-	-	-	15,481
Investment securities	11,357	13	369	1,157	1,267	8,550	1
Net loans and advances	147,067	61,177	13,092	30,814	28,880	13,673	(569)
Other financial assets	955	-	-	-	-	-	955
Total financial assets	197,120	75,920	13,907	32,503	31,149	26,269	17,372
Liabilities							
Settlement balances payable	4,933	3,847	-	-	-	-	1,086
Collateral received	1,962	1,962	-	-	-	-	-
Deposits and other borrowings	139,642	89,244	12,480	13,255	2,078	1,205	21,380
Derivative financial instruments	13,785	-	-	-	-	-	13,785
Debt issuances	21,023	1,644	2,272	2,281	3,410	11,416	-
Lease liabilities	229	12	11	23	44	139	-
Other financial liabilities	876	364	-	-	-	-	512
Total financial liabilities	182,450	97,073	14,763	15,559	5,532	12,760	36,763
Hedging instruments	-	(3,688)	3,893	8,833	(11,465)	2,427	-
Interest sensitivity gap	14,670	(24,841)	3,037	25,777	14,152	15,936	(19,391)

1 Excludes non-coupon bearing discounted financial assets and financial liabilities which are shown as repricing on their maturity date.

Reconciliation of mortgage related amounts

As at 30 September 2022	Note	NZ$m
Term loans - housing[1]	11	103,872
Less: housing loans made to corporate customers		(1,304)
Add: unsettled re-purchases of mortgages from the NZ Branch		5
On-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	102,573
Add: off-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	9,108
Total residential mortgage exposures subject to the IRB approach (per LVR analysis)	B4	111,681

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

B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements included in Note 1, Note 12 and Note 15 to the financial statements.

Movements in components of loss allowance – total

			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
Net loans and advances - total	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
As at 1 October 2021	155	314	56	60	585
Transfer between stages	18	(10)	(3)	(5)	-
New and increased provisions (net of collective provision releases)	26	7	6	87	126
Write-backs	-	-	-	(33)	(33)
Recoveries of amounts previously written off	-	-	-	(37)	(37)
Credit impairment charge / (release)	44	(3)	3	12	56
Bad debts written-off (excluding recoveries)	-	-	-	(37)	(37)
Add back recoveries of amounts previously written off	-	-	-	37	37
Discount unwind	-	-	-	5	5
As at 30 September 2022	199	311	59	77	646
Off-balance sheet credit related commitments - total					
As at 1 October 2021	64	39	4	15	122
Transfer between stages	7	(6)	(1)	-	-
New and increased provisions (net of collective provision releases)	(5)	(2)	-	(10)	(17)
Credit impairment charge / (release)	2	(8)	(1)	(10)	(17)
As at 30 September 2022	66	31	3	5	105

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

Gross loans and advances - total					
As at 1 October 2021	133,993	6,201	618	155	140,967
Net transfers in to each stage	-	1,155	113	5	1,273
Amounts drawn from new or existing facilities	36,577	1,151	88	146	37,962
Additions	36,577	2,306	201	151	39,235
Net transfers out of each stage	(1,251)	(2)	(18)	(2)	(1,273)
Amounts repaid	(29,638)	(1,608)	(213)	(121)	(31,580)
Deletions	(30,889)	(1,610)	(231)	(123)	(32,853)
Amounts written off	-	-	-	(37)	(37)
As at 30 September 2022	139,681	6,897	588	146	147,312
Loss allowance as at 30 September 2022	199	311	59	77	646
Off-balance sheet credit related commitments - total					
As at 1 October 2021	28,818	1,279	32	23	30,152
Net transfers in to each stage	110	21	4	11	146
New and increased facilities and drawn amounts repaid	6,815	79	2	(5)	6,891
Additions	6,925	100	6	6	7,037
Net transfers out of each stage	(23)	(123)	-	-	(146)
Reduced facilities and amounts drawn	(6,443)	(261)	(24)	(23)	(6,751)
Deletions	(6,466)	(384)	(24)	(23)	(6,897)
As at 30 September 2022	29,277	995	14	6	30,292
Loss allowance as at 30 September 2022	66	31	3	5	105

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

Overall, loss allowances are 0.42% of gross balances as at 30 September 2022, up from 0.41% as at 30 September 2021. The NZ$44 million (6.2%) increase in loss allowances was driven by an increase in the proportion of gross balances in Stage 2, and changes in the forward-looking economic scenarios as described in Note 12 allowance for expected credit losses.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

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 2020	162	347	79	106	694
Transfer between stages	16	(14)	(2)	-	-
New and increased provisions (net of collective provision releases)	(23)	(19)	(21)	67	4
Write-backs	-	-	-	(63)	(63)
Recoveries of amounts previously written off	-	-	-	(18)	(18)
Credit impairment release	(7)	(33)	(23)	(14)	(77)
Bad debts written-off (excluding recoveries)	-	-	-	(47)	(47)
Add back recoveries of amounts previously written off	-	-	-	18	18
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2021	155	314	56	60	585

Off-balance sheet credit related commitments - 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 2020	79	55	3	22	159
Transfer between stages	3	(4)	1	-	-
New and increased provisions (net of collective provision releases)	(18)	(12)	-	(7)	(37)
Credit impairment charge / (release)	(15)	(16)	1	(7)	(37)
As at 30 September 2021	64	39	4	15	122

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 2020	120,110	11,820	808	361	133,099
Net transfers in to each stage	3,329	-	25	8	3,362
Amounts drawn from new or existing facilities	45,399	1,138	86	139	46,762
Additions	48,728	1,138	111	147	50,124
Net transfers out of each stage	(2)	(3,231)	(17)	(112)	(3,362)
Amounts repaid	(34,843)	(3,526)	(284)	(194)	(38,847)
Deletions	(34,845)	(6,757)	(301)	(306)	(42,209)
Amounts written off	-	-	-	(47)	(47)
As at 30 September 2021	133,993	6,201	618	155	140,967
Loss allowance as at 30 September 2021	155	314	56	60	585

Off-balance sheet credit related commitments - 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 2020	29,501	1,455	19	41	31,016
Net transfers in to each stage	28	-	11	1	40
New and increased facilities and drawn amounts repaid	8,796	314	12	1	9,123
Additions	8,824	314	23	2	9,163
Net transfers out of each stage	(9)	(31)	-	-	(40)
Reduced facilities and amounts drawn	(9,498)	(459)	(10)	(20)	(9,987)
Deletions	(9,507)	(490)	(10)	(20)	(10,027)
As at 30 September 2021	28,818	1,279	32	23	30,152
Loss allowance as at 30 September 2021	64	39	4	15	122

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

Overall, loss allowances are 0.41% of gross balances as at 30 September 2021, down from 0.52% as at 30 September 2020. The NZ$146 million (17.1%) decrease in loss allowances was driven by a decrease in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward-looking economic scenarios.

B3. ASSET QUALITY (continued)

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 2021	23	53	17	9	102
Transfer between stages	5	(5)	-	-	-
New and increased provisions (net of collective provision releases)	35	33	15	3	86
Write-backs	-	-	-	(2)	(2)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge	40	28	15	1	84
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 30 September 2022	63	81	32	10	186
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2021	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge	-	-	-	-	-
As at 30 September 2022	-	-	-	-	-

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 2021	94,857	1,846	356	19	97,078
Net transfers in to each stage	-	893	103	-	996
Amounts drawn from new or existing facilities	25,039	652	8	8	25,707
Additions	25,039	1,545	111	8	26,703
Net transfers out of each stage	(994)	-	-	(2)	(996)
Amounts repaid	(19,699)	(428)	(75)	(10)	(20,212)
Deletions	(20,693)	(428)	(75)	(12)	(21,208)
Amounts written off	-	-	-	-	-
As at 30 September 2022	99,203	2,963	392	15	102,573
Loss allowance as at 30 September 2022	63	81	32	10	186
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2021	9,040	40	1	-	9,081
Net transfers in to each stage	-	21	-	-	21
New and increased facilities and drawn amounts repaid	1,654	12	-	-	1,666
Additions	1,654	33	-	-	1,687
Net transfers out of each stage	(21)	-	-	-	(21)
Reduced facilities and amounts drawn	(1,624)	(15)	-	-	(1,639)
Deletions	(1,645)	(15)	-	-	(1,660)
As at 30 September 2022	9,049	58	1	-	9,108
Loss allowance as at 30 September 2022	-	-	-	-	-

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

The NZ$84 million (82.4%) increase in loss allowances on residential mortgage exposures is primarily driven by an increase in the proportion of gross balances in Stage 2, and changes in the forward-looking economic scenarios as described in Note 12 allowance for expected credit losses. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80% (refer to page 92).

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

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 2020	20	63	29	8	120
Transfer between stages	6	(5)	(1)	-	-
New and increased provisions (net of collective provision releases)	(3)	(5)	(11)	5	(14)
Write-backs	-	-	-	(4)	(4)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	3	(10)	(12)	1	(18)
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 30 September 2021	23	53	17	9	102
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2020	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge	-	-	-	-	-
As at 30 September 2021	-	-	-	-	-

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 2020	81,057	5,859	512	24	87,452
Net transfers in to each stage	3,175	-	-	5	3,180
Amounts drawn from new or existing facilities	33,250	588	5	12	33,855
Additions	36,425	588	5	17	37,035
Net transfers out of each stage	-	(3,164)	(17)	1	(3,180)
Amounts repaid	(22,625)	(1,437)	(144)	(23)	(24,229)
Deletions	(22,625)	(4,601)	(161)	(22)	(27,409)
Amounts written off	-	-	-	-	-
As at 30 September 2021	94,857	1,846	356	19	97,078
Loss allowance as at 30 September 2021	23	53	17	9	102
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2020	8,793	73	-	-	8,866
Net transfers in to each stage	28	-	-	-	28
New and increased facilities and drawn amounts repaid	2,691	12	2	-	2,705
Additions	2,719	12	2	-	2,733
Net transfers out of each stage	-	(28)	-	-	(28)
Reduced facilities and amounts drawn	(2,472)	(17)	(1)	-	(2,490)
Deletions	(2,472)	(45)	(1)	-	(2,518)
As at 30 September 2021	9,040	40	1	-	9,081
Loss allowance as at 30 September 2021	-	-	-	-	-

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

While gross balances have increased, there has been a decrease in the proportion of gross balances in Stage 2 and Stage 3. The NZ$18 million (15.0%) decrease in loss allowances on residential mortgage exposures is primarily driven by changes in the forward-looking economic scenarios. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80%.

B3. ASSET QUALITY (continued)

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 2021	10	49	17	6	82
Transfer between stages	5	(5)	-	-	-
New and increased provisions (net of collective provision releases)	(5)	(1)	-	29	23
Write-backs	-	-	-	(4)	(4)
Recoveries of amounts previously written off	-	-	-	(11)	(11)
Credit impairment charge / (release)	-	(6)	-	14	8
Bad debts written-off (excluding recoveries)	-	-	-	(26)	(26)
Add back recoveries of amounts previously written off	-	-	-	11	11
Discount unwind	-	-	-	-	-
As at 30 September 2022	10	43	17	5	75
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2021	15	12	3	-	30
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(5)	1	-	-	(4)
Credit impairment release	(2)	(2)	-	-	(4)
As at 30 September 2022	13	10	3	-	26

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 2021	2,271	132	34	9	2,446
Net transfers in to each stage	-	-	10	1	11
Amounts drawn from new or existing facilities	420	24	3	30	477
Additions	420	24	13	31	488
Net transfers out of each stage	(9)	(2)	-	-	(11)
Amounts repaid	(488)	(43)	(16)	(6)	(553)
Deletions	(497)	(45)	(16)	(6)	(564)
Amounts written off	-	-	-	(26)	(26)
As at 30 September 2022	2,194	111	31	8	2,344
Loss allowance as at 30 September 2022	10	43	17	5	75
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2021	5,091	38	13	-	5,142
Net transfers in to each stage	-	-	3	-	3
New and increased facilities and drawn amounts repaid	203	3	2	-	208
Additions	203	3	5	-	211
Net transfers out of each stage	(2)	(1)	-	-	(3)
Reduced facilities and amounts drawn	(533)	(13)	(8)	-	(554)
Deletions	(535)	(14)	(8)	-	(557)
As at 30 September 2022	4,759	27	10	-	4,796
Loss allowance as at 30 September 2022	13	10	3	-	26

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

The NZ$11 million (9.8%) decrease in loss allowances is driven by a decrease in overall gross balances, partially offset by the effect of changes in the forward-looking economic scenarios as described in Note 12 allowance for expected credit losses.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

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 2020	11	60	26	8	105
Transfer between stages	6	(5)	(1)	-	-
New and increased provisions (net of collective provision releases)	(7)	(6)	(8)	37	16
Write-backs	-	-	-	(5)	(5)
Recoveries of amounts previously written off	-	-	-	(15)	(15)
Credit impairment charge / (release)	(1)	(11)	(9)	17	(4)
Bad debts written-off (excluding recoveries)	-	-	-	(34)	(34)
Add back recoveries of amounts previously written off	-	-	-	15	15
Discount unwind	-	-	-	-	-
As at 30 September 2021	10	49	17	6	82
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2020	19	13	3	-	35
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(7)	2	-	-	(5)
Credit impairment release	(4)	(1)	-	-	(5)
As at 30 September 2021	15	12	3	-	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 2020	2,570	165	49	11	2,795
Net transfers in to each stage	-	-	10	3	13
Amounts drawn from new or existing facilities	833	44	7	38	922
Additions	833	44	17	41	935
Net transfers out of each stage	(2)	(11)	-	-	(13)
Amounts repaid	(1,130)	(66)	(32)	(9)	(1,237)
Deletions	(1,132)	(77)	(32)	(9)	(1,250)
Amounts written off	-	-	-	(34)	(34)
As at 30 September 2021	2,271	132	34	9	2,446
Loss allowance as at 30 September 2021	10	49	17	6	82
Off-balance sheet credit related commitments - other retail exposures					
As at 1 October 2020	5,183	47	15	-	5,245
Net transfers in to each stage	-	-	2	-	2
New and increased facilities and drawn amounts repaid	627	5	2	-	634
Additions	627	5	4	-	636
Net transfers out of each stage	(1)	(1)	-	-	(2)
Reduced facilities and amounts drawn	(718)	(13)	(6)	-	(737)
Deletions	(719)	(14)	(6)	-	(739)
As at 30 September 2021	5,091	38	13	-	5,142
Loss allowance as at 30 September 2021	15	12	3	-	30

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

The NZ$28 million (20.0%) decrease in loss allowances is primarily driven by changes in the forward-looking economic scenarios.

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – corporate exposures[1]

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 2021	122	212	22	45	401
Transfer between stages	8	-	(3)	(5)	-
New and increased provisions (net of collective provision releases)	(4)	(25)	(9)	55	17
Write-backs	-	-	-	(27)	(27)
Recoveries of amounts previously written off	-	-	-	(26)	(26)
Credit impairment charge / (release)	4	(25)	(12)	(3)	(36)
Bad debts written-off (excluding recoveries)	-	-	-	(11)	(11)
Add back recoveries of amounts previously written off	-	-	-	26	26
Discount unwind	-	-	-	5	5
As at 30 September 2022	126	187	10	62	385
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2021	49	27	1	15	92
Transfer between stages	4	(3)	(1)	-	-
New and increased provisions (net of collective provision releases)	-	(3)	-	(10)	(13)
Credit impairment charge / (release)	4	(6)	(1)	(10)	(13)
As at 30 September 2022	53	21	-	5	79

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 2021	36,865	4,223	228	127	41,443
Net transfers in to each stage	-	262	-	4	266
Amounts drawn from new or existing facilities	11,118	475	77	108	11,778
Additions	11,118	737	77	112	12,044
Net transfers out of each stage	(248)	-	(18)	-	(266)
Amounts repaid	(9,451)	(1,137)	(122)	(105)	(10,815)
Deletions	(9,699)	(1,137)	(140)	(105)	(11,081)
Amounts written off	-	-	-	(11)	(11)
As at 30 September 2022	38,284	3,823	165	123	42,395
Loss allowance as at 30 September 2022	126	187	10	62	385
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2021	14,687	1,201	18	23	15,929
Net transfers in to each stage	110	-	1	11	122
New and increased facilities and drawn amounts repaid	4,958	64	-	(5)	5,017
Additions	5,068	64	1	6	5,139
Net transfers out of each stage	-	(122)	-	-	(122)
Reduced facilities and amounts drawn	(4,286)	(233)	(16)	(23)	(4,558)
Deletions	(4,286)	(355)	(16)	(23)	(4,680)
As at 30 September 2022	15,469	910	3	6	16,388
Loss allowance as at 30 September 2022	53	21	-	5	79

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.

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

The NZ$29 million (5.9%) decrease in loss allowances is driven by a decrease in the amount and proportion of gross balances in Stage 2 and Stage 3, partially offset by an increase in the amount of individually assessed loss allowances.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – corporate exposures[1]

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 2020	131	224	24	90	469
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of collective provision releases)	(13)	(8)	(2)	25	2
Write-backs	-	-	-	(54)	(54)
Recoveries of amounts previously written off	-	-	-	(3)	(3)
Credit impairment release	(9)	(12)	(2)	(32)	(55)
Bad debts written-off (excluding recoveries)	-	-	-	(13)	(13)
Add back recoveries of amounts previously written off	-	-	-	3	3
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2021	122	212	22	45	401

Off-balance sheet credit related commitments - 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 2020	60	42	-	22	124
Transfer between stages	-	(1)	1	-	-
New and increased provisions (net of collective provision releases)	(11)	(14)	-	(7)	(32)
Credit impairment charge / (release)	(11)	(15)	1	(7)	(32)
As at 30 September 2021	49	27	1	15	92

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 2020	36,483	5,796	247	326	42,852
Net transfers in to each stage	154	-	15	-	169
Amounts drawn from new or existing facilities	11,316	506	74	89	11,985
Additions	11,470	506	89	89	12,154
Net transfers out of each stage	-	(56)	-	(113)	(169)
Amounts repaid	(11,088)	(2,023)	(108)	(162)	(13,381)
Deletions	(11,088)	(2,079)	(108)	(275)	(13,550)
Amounts written off	-	-	-	(13)	(13)
As at 30 September 2021	36,865	4,223	228	127	41,443
Loss allowance as at 30 September 2021	122	212	22	45	401

Off-balance sheet credit related commitments - 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 2020	15,525	1,335	4	41	16,905
Net transfers in to each stage	-	-	9	1	10
New and increased facilities and drawn amounts repaid	5,478	297	8	1	5,784
Additions	5,478	297	17	2	5,794
Net transfers out of each stage	(8)	(2)	-	-	(10)
Reduced facilities and amounts drawn	(6,308)	(429)	(3)	(20)	(6,760)
Deletions	(6,316)	(431)	(3)	(20)	(6,770)
As at 30 September 2021	14,687	1,201	18	23	15,929
Loss allowance as at 30 September 2021	49	27	1	15	92

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.

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

The NZ$100 million (16.9%) decrease in loss allowances is primarily driven by changes in the forward-looking economic scenarios and a decrease in the proportion of gross balances in Stage 2 and Stage 3.

B3. ASSET QUALITY (continued)

Past due assets

	2022				2021			
	Residential mortgages NZ$m	Other retail exposures NZ$m	Non-retail exposures NZ$m	Total NZ$m	Residential mortgages NZ$m	Other retail exposures NZ$m	Non-retail exposures NZ$m	Total NZ$m
Less than 30 days past due	456	81	322	859	402	76	237	715
At least 30 days but less than 60 days past due	163	10	168	341	122	13	157	292
At least 60 days but less than 90 days past due	119	6	14	139	125	8	42	175
At least 90 days past due	355	20	77	452	325	21	26	372
Total past due but not individually impaired	1,093	117	581	1,791	974	118	462	1,554

Other asset quality information

Undrawn facilities with impaired customers	-	-	6	6	-	-	23	23
Other assets under administration	4	1	-	5	2	1	-	3

Asset quality for financial assets designated at fair value

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

REGISTERED BANK DISCLOSURES

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

RBNZ capital ratios

	RBNZ minimum		Banking Group		Bank (Solo Consolidated)	
	2022	2021	2022	2021	2022	2021
Common equity tier 1 capital	4.5%	4.5%	**12.4%**	13.4%	**12.2%**	13.1%
Tier 1 capital	6.0%	6.0%	**15.0%**	16.2%	**14.8%**	15.9%
Total capital	8.0%	8.0%	**16.4%**	16.9%	**16.2%**	16.6%
Prudential capital buffer ratio	3.5%	2.5%	**7.9%**	8.9%	**n/a**	n/a

Capital

As at 30 September 2022	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]	5,291
Accumulated other comprehensive income and other disclosed reserves[2]	48
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,099)
Deferred tax assets less deferred tax liabilities relating to temporary differences	(386)
Cash flow hedge reserve	(26)
Defined benefit superannuation plan surplus	(15)
Expected losses to the extent greater than total eligible allowances for impairment	(63)
Common equity tier 1 capital	13,338
Additional tier 1 (AT1) capital	
NZD 550m preference shares[3]	550
Transitional AT1 capital instruments	
NZD 300m preference shares[3]	300
NZD 1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)[4]	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)[4]	938
Additional tier 1 capital	2,791
Total tier 1 capital	16,129
Tier 2 capital	
NZD 600m subordinated notes[4]	600
USD 500m subordinated notes[4]	875
Eligible impairment allowance in excess of expected loss	87
Tier 2 capital	1,562
Total capital	17,691

1 Includes a deduction for dividends on AT1 capital instruments approved by the Bank's board, but not yet paid as at 30 September 2022, as required by BPR110 *Capital Definitions*. These dividends are not recognised under NZ GAAP because the payment of the dividends remains at the Bank's discretion until payment is made.
2 Includes the FVOCI reserve of NZ$22 million and the cash flow hedging reserve of NZ$26 million as at 30 September 2022.
3 Classified as equity on the balance sheet under NZ GAAP.
4 Classified as a liability on the balance sheet under NZ GAAP.

Transitional AT1 capital instruments

Certain instruments issued by the Bank qualify as transitional AT1 capital instruments and are subject to phase-out under BPR110. Fixing the base at the aggregate nominal amount of such instruments outstanding as at 30 September 2021 (NZ$2,741 million), their recognition is capped at 87.5% of that base from 1 January 2022; 75% from 1 January 2023; 62.5% from 1 January 2024; 50% from 1 January 2025; 37.5% from 1 January 2026; 25% from 1 January 2027; 12.5% from 1 January 2028; and from 1 July 2028 onwards these instruments will not be included in regulatory capital.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

Capital requirements of the Banking Group

As at 30 September 2022	Total exposure after credit risk mitigation NZ$m	Risk weighted exposure or implied risk weighted exposure NZ$m	Total capital requirement NZ$m
Exposures subject to the internal ratings based approach	167,215	47,109	3,769
Specialised lending exposures subject to the slotting approach	13,843	11,872	950
Exposures subject to the standardised approach	35,999	4,880	390
Credit risk supervisory adjustment	n/a	19,727	1,578
Output floor balancing item	n/a	5,922	474
Total credit risk	217,057	89,510	7,161
Market risk	n/a	6,596	528
Operational risk, calculated using the standardised approach	n/a	11,571	926
Total	n/a	107,677	8,615

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

IRB credit exposures by exposure class and customer credit rating

As at 30 September 2022	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	0.05	65,541	8,693	62	28	2,590	207
3 - 4	0.31	49,800	25,594	38	41	11,206	896
5	1.01	10,857	9,651	31	54	5,500	440
6	2.23	2,852	2,566	34	76	2,065	165
7 - 8	14.02	1,034	893	34	142	1,342	107
Default	100.00	259	261	38	90	247	21
Total corporate exposures[1]	1.31	130,343	47,658	41	45	22,950	1,836
Residential mortgages							
0 - 3	0.20	42,062	42,461	12	5	2,383	191
4	0.44	45,334	45,464	19	15	7,467	597
5	0.89	21,046	21,114	24	31	6,992	559
6	1.98	2,677	2,680	25	59	1,670	134
7 - 8	4.90	149	149	25	91	144	11
Default	100.00	413	413	13	2	8	1
Total residential mortgage exposures[2]	0.84	111,681	112,281	18	16	18,664	1,493
Other retail							
0 - 2	0.10	525	528	77	49	276	22
3 - 4	0.27	4,280	4,358	78	56	2,572	206
5	1.11	1,008	1,011	77	83	886	71
6	2.61	499	527	81	103	573	46
7 - 8	7.65	786	811	88	136	1,170	94
Default	100.00	41	41	81	38	18	1
Total other retail exposures	1.94	7,139	7,276	79	71	5,495	440
Total credit risk exposures subject to the IRB approach[3]	1.02	249,163	167,215	27	27	47,109	3,769

1 The credit risk supervisory adjustment above includes NZ$5,583 million of RWA for corporate exposures. This increases the pre-scalar exposure–weighted risk weight to 56% and the minimum capital requirement to NZ$2,283 million.
2 The credit risk supervisory adjustment above includes NZ$14,144 million of RWA for residential mortgage exposures. This increases the pre-scalar exposure-weighted risk weight to 28% and the minimum capital requirement to NZ$2,625 million.
3 The credit risk supervisory adjustment and output floor balancing item above total NZ$25,649 million of RWA. This increases the pre-scalar IRB exposure-weighted risk weight to 41% and the related minimum capital requirement to NZ$5,821 million.

REGISTERED BANK DISCLOSURES

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

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

As at 30 September 2022	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet contingent liabilities		
Corporate	13,047	12,201
Residential mortgages	9,108	9,557
Other retail	4,796	4,872
Counterparty credit risk on derivatives and securities financing transactions		
Corporate	84,608	3,364
Total	111,559	29,994

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 30 September 2022	On-balance sheet NZ$m	Off-balance sheet NZ$m	Total NZ$m
LVR range			
Does not exceed 60%	56,680	6,857	63,537
Exceeds 60% and not 70%	19,636	1,039	20,675
Exceeds 70% and not 80%	20,028	927	20,955
Does not exceed 80%	96,344	8,823	105,167
Exceeds 80% and not 90%	4,688	101	4,789
Exceeds 90%	1,541	184	1,725
Total	102,573	9,108	111,681

Specialised lending subject to the slotting approach

As at 30 September 2022	Exposures after credit risk mitigation NZ$m	Risk weight %	Risk weighted assets NZ$m	Minimum capital requirement NZ$m
On-balance sheet exposures				
Strong	6,741	70	5,002	400
Good	5,123	90	4,887	391
Satisfactory	635	115	774	62
Weak	56	250	150	12
Default	52	-	-	-
Off-balance sheet exposures by average risk weight				
Undrawn commitments and other off-balance sheet exposures	1,236	211	1,059	85
Total exposures subject to the slotting approach	13,843	81	11,872	950

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-.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

Credit risk exposures subject to the standardised approach

As at 30 September 2022	Exposure or principal amount NZ$m	Average credit conversion factor %	Exposure after credit risk mitigation NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Minimum capital requirement NZ$m
On-balance sheet exposures						
Cash and gold bullion			154	-	-	-
Sovereign and central banks			19,906	-	-	-
Multilateral development banks and other international organisations			4,824	-	-	-
Public sector entities			1,627	20	345	28
Banks			2,655	39	1,105	88
Corporate			73	102	79	6
Past due assets			-	150	1	-
Other assets			1,487	100	1,575	126
Equity exposures						
Unlisted equity holdings			1	400	5	-
Off-balance sheet exposures						
Total off balance sheet exposures	1,997	54	1,073	54	610	49
Counterparty credit risk						
Foreign exchange contracts	240,337	n/a	2,718	21	619	50
Interest rate contracts	1,344,580	n/a	1,104	11	131	10
Other	3,347	n/a	377	25	101	8
Credit valuation adjustment	n/a	n/a	n/a	n/a	309	25
Total exposures subject to the standardised approach			35,999	13	4,880	390

Credit valuation adjustment

The IRB and standardised tables above include an aggregate Credit Valuation Adjustment (CVA) capital charge of NZ$54 million, and aggregate implied risk weighted exposures for the CVA of NZ$672 million.

Credit risk mitigation

As at 30 September 2022, under the IRB approach, the Banking Group had NZ$406 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 value of other 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.

Effect of standardised floor on total risk-weighted exposures for credit risk

	Risk weighted assets	
As at 30 September 2022	Calculated for compliance purposes NZ$m	Calculated using standardised approach NZ$m
Exposures subject to the IRB or slotting approaches[1]	58,981	99,565
Credit risk supervisory adjustment[1]	19,727	n/a
Subtotal[1]	78,708	99,565
Standardised floor at 85% of standardised RWA	n/a	84,630
Output floor adjusting item	5,922	n/a
IRB and slotting RWA with standardised floor applied	84,630	84,630
Exposures subject to the standardised approach[1]	4,880	
Total credit risk	89,510	

1 RWA calculated for compliance purposes includes a scalar of 1.06 as required by BPR 130 *Credit Risk RWAs Overview*.

In accordance with BPR 130 *Credit Risk RWAs Overview*, IRB and slotting RWA with standardised floor applied is calculated as the greater of RWA for compliance purposes, and 85% of the total RWA for such exposures calculated using the standardised approach.

REGISTERED BANK DISCLOSURES

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

Market risk

The aggregate market risk exposures below have been calculated in accordance with BPR140: *Market Risk*. The peak end-of-day market risk exposures are for the six months ended 30 September 2022.

	Implied risk weighted exposure		Aggregate capital charge	
As at 30 September 2022	Period end NZ$m	Peak NZ$m	Period end NZ$m	Peak NZ$m
Interest rate risk	6,571	6,757	526	541
Foreign currency risk	24	93	2	7
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. The Banking Group's ICAAP 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. Other material risks identified by the Banking Group include fixed asset risk and deferred acquisition cost risk. The Banking Group's internal capital allocation for these other material risks is NZ$296 million (2021: NZ$313 million).

Information about Ultimate Parent Bank and Overseas Banking Group

APRA Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	2022	2021	2022	2021
Common equity tier 1 capital	12.3%	12.3%	12.0%	12.0%
Tier 1 capital	14.0%	14.3%	14.0%	14.1%
Total capital	18.2%	18.4%	18.9%	18.6%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA, which is at least equal to that specified under the Basel III capital framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets. Where the Overseas Banking Group is not accredited to use the AIRB methodology the Overseas Banking Group applies the standardised approach.
- the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 30 September 2022 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2022. The Overseas Banking Group’s Pillar 3 disclosure document for the quarter ended 30 September 2022, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

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. From 1 January 2022, the minimum amount of core funding was increased from 50% to 75% of a bank’s total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum on a daily basis. This measure of the core funding ratio is averaged over the quarter.

For the three months ended	30 Sep 22	30 Jun 22
Quarterly average 1-week mismatch ratio	7.6%	7.3%
Quarterly average 1-month mismatch ratio	6.7%	6.4%
Quarterly average core funding ratio	91.5%	91.1%

B5. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The Banking Group measures its concentration of credit exposures 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 (i.e. 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 30 Sep 22	Peak end of day over 6 months to 30 Sep 22
Exposures to banks		
Total number of exposures to banks that are greater than 10% of CET1 capital	-	1
with a long-term credit rating of A- or A3 or above, or its equivalent	-	1
- 10% to less than 15% 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 capital	2	2
with a long-term credit rating of A- or A3 or above, or its equivalent	2	2
- 10% to less than 15% of CET1 capital	2	2
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-

REGISTERED BANK DISCLOSURES

B6. CREDIT EXPOSURES TO CONNECTED PERSONS

	Connected persons		Non-bank connected persons	
	Amount NZ$m	% of Tier 1 Capital	Amount NZ$m	% of Tier 1 Capital
As at 30 September 2022				
Gross amount, before netting	15,304	94.9%	<$1m	0.0%
Amount netted	12,215	75.7%	-	0.0%
Aggregate credit exposure (on partial bilateral net basis)	3,089	19.2%	<$1m	0.0%
Peak end-of day aggregate credit exposure over the year ended 30 September 2022				
Gross amount, before netting	14,443	89.5%	<$1m	0.0%
Amount netted	10,616	65.8%	-	0.0%
Aggregate credit exposure (on partial bilateral net basis)	3,827	23.7%	<$1m	0.0%

Credit exposures to connected persons

The information on credit exposure to connected persons has been derived in accordance with the RBNZ Banking Supervision Handbook document *Connected Exposures Policy* (BS8), is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Peak end-of-day aggregate exposure

Peak end-of-day aggregate credit exposure to connected persons as a ratio to tier 1 capital for the full year accounting period is derived by determining the maximum end-of-day aggregate amount of credit exposure over the accounting period and then dividing that amount by the Banking Group's tier 1 capital as at the reporting date.

Rating contingent limit

The rating-contingent limit that applied to the Banking Group as at 30 September 2022 was 60%. No limit changes have occurred over the year to 30 September 2022. Within the overall rating-contingent limit, there is a sub-limit of 15% of tier 1 capital that applies to the aggregate credit exposure to non-bank connected persons.

Additional requirements for aggregate credit exposure to connected persons

Aggregate credit exposure to connected persons has been calculated on a partial bilateral net basis. The gross amounts and amounts netted off under a bilateral netting agreement are included in the table above. There is a limit of 125% of the Banking Group's tier 1 capital in respect of the gross amount of aggregate credit exposure to connected persons that can be netted off in determining the net exposure.

Aggregate amount of contingent exposures arising from risk lay-off arrangements

NZ$262 million of contingent exposures of the Banking Group to connected persons arose from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 30 September 2022.

Loss allowance for credit-impaired credit exposures to connected persons

There were no loss allowances provided against credit exposures to connected persons as at 30 September 2022.

B7. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

Insurance business

The Banking Group does not conduct any insurance business.

Banking Group's involvement in securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products

a) Banking Group's involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, and other fiduciary activities

Activity	Details
Custodial	The Banking Group operates two custodians as at 30 September 2022: • ANZ Custodial Services New Zealand Limited, which is the appointed custodian for private banking's (ANZ Private) Discretionary Investment Management Service, Wholesale Investment Services and Trading Service; and • ANZ New Zealand Investments Nominees Limited, which is the appointed custodian for direct holdings of securities by various wholesale customer portfolios managed by ANZ New Zealand Investments Limited (ANZ Investments).
Funds management	The Banking Group provides the following funds management services: • *Managed Investment Schemes (MIS):* The Banking Group's subsidiaries ANZ Investments and ANZ Investment Services (New Zealand) Limited (ANZIS) act as manager for a number of managed investment schemes. ANZ Investments holds an MIS Manager licence, with ANZIS being an authorised body under that licence. ANZ Investments is the issuer and manager of ANZ and OneAnswer-branded KiwiSaver, retail and wholesale schemes. ANZIS is the issuer and manager of the Bonus Bonds Scheme and the ANZ PIE Fund. ANZ National Staff Superannuation Limited, also a subsidiary of the Banking Group, is the trustee and manager of the ANZ National Retirement Scheme, which is a restricted workplace savings scheme. • *Discretionary Investment Management Service (DIMS):* The Bank is a licensed DIMS provider. This service is offered to ANZ Private customers. • *Other investment portfolios:* ANZ Investments also manages investment portfolios for a number of schemes where the scheme manager or trustee has outsourced investment management services to ANZ Investments. These schemes are typically corporate superannuation schemes.
Other fiduciary activities	ANZ Investments, through its subsidiary OneAnswer Nominees Limited, offers the OneAnswer Portfolio Service. The associated administration and custody services are provided by FNZ Limited and FNZ Custodians Limited respectively (together FNZ). FNZ is not a member or related party of the Banking Group.

b) Banking Group's involvement in the origination of securitised assets, and the marketing or servicing of securitisation schemes

The Banking Group originates securitised assets in the form of residential mortgage backed securities held for potential repurchase transactions with RBNZ, and covered bonds. Refer to Note 24 structured entities for further details about these programmes. Other than these activities, the Banking Group is not involved in the marketing or servicing of securitisation schemes.

c) Banking Group's involvement in marketing and distribution of insurance products

The Banking Group markets and distributes life insurance, other personal and business insurance products provided by or arranged through a number of insurance partners. None of these insurance partners are affiliated insurance entities or affiliated insurance groups. Our insurance partners are:

- Vero Insurance New Zealand Limited for home, contents, motor vehicle, boat and lifestyle block insurance;
- AWP Services New Zealand Limited, trading as Allianz Partners, for premium card travel insurance. Policies are underwritten by Allianz Australia Insurance Limited (incorporated in Australia) trading as Allianz New Zealand;
- Cigna Life Insurance New Zealand Limited for life & living insurance; and
- Crombie Lockwood (NZ) Limited is our business insurance broker.

Arrangements to ensure no adverse impacts arising from the above activities

Arrangements have been put in place to ensure that difficulties arising from the activities in a), b) and c) above would not impact adversely on the Banking Group. The policies and procedures in place include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management.

REGISTERED BANK DISCLOSURES

B7. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS (continued)

Amounts represented by funds management and securitisation activities

	2022 NZ$m	2021 NZ$m
Funds under management:		
KiwiSaver[1]	17,076	19,051
Bonus Bonds Scheme[2,6]	-	872
Other managed funds[1]	3,353	3,842
ANZ PIE Fund[2]	2,292	1,724
DIMS[3]	7,490	8,868
Other investment portfolios[4]	4,102	4,686
Total funds under management	34,313	39,043
Funds under custodial arrangements	7,519	8,942
Other funds held or managed subject to fiduciary responsibilities[5]	1,710	1,811
Outstanding securitised assets originated by the Banking Group - carrying amount of covered bonds	4,082	4,248

1 Managed by ANZ Investments.
2 Managed by ANZIS.
3 Managed by the Bank.
4 Comprises portfolios managed by ANZ Investments, and the ANZ National Retirement Scheme managed by ANZ National Staff Superannuation Limited.
5 Not included in funds under management.
6 Funds under management for the Bonus Bonds Scheme is net of NZ$65 million (2021: nil) of distributions payable to bondholders. Further information about the wind-up of the Bonus Bonds Scheme is available at the website bonusbonds.co.nz.

Financial services provided to entities conducting the above activities

Financial services provided by any member of the Banking Group to entities that conduct the activities in a) or b) above are provided on arm's length terms and conditions and at fair value.

Assets purchased from entities conducting the above activities

Over the year ended 30 September 2022, any assets purchased by any member of the Banking Group from entities that conduct the activities in a), b) or c) above have been purchased on arm's length terms and conditions and at fair value.

Funding provided to entities in aggregate and individually

The peak end-of day aggregate amount of funding provided to entities that provide services relating to the Banking Group's involvement in the above activities over the year ended 30 September 2022 was NZ$0.3 million (2021: NZ$0.1 million) which was 0.0% (2021: 0.0%) of the Banking Group's tier 1 capital and 0.1% (2021: 0.1%) of the total assets of the individual entity.

Method for deriving peak end-of-day amount of funding in aggregate and individually

The peak end-of-day aggregate amount of funding is the maximum end-of-day aggregate amount of funding over the full year accounting period, divided by the Banking Group's tier 1 capital as at the balance date, and the total assets as at the balance date of the individual entity to which the Banking Group has provided funding. Where financial statements for the individual entity are not publicly available, total assets from the publicly available financial statements of the group of which the entity is a member have been used.

B8. RISK MANAGEMENT POLICIES

Information about risk

The evolving macroeconomic and geopolitical conditions have continued to challenge our operating environment. Our Risk Management Framework (RMF) has remained robust in the face of these challenges, enabling the sound management of our business.

The Board is ultimately responsible for establishing and overseeing the Banking Group's RMF, which is supported by the Banking Group's underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with the Banking Group's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of the Banking Group's RMF include:

- The Risk Management Strategy (RMS), which describes the approach for managing risks arising from the Banking Group's purpose and strategy. The RMS includes: how the risk function is structured to support the Banking Group's purpose and strategy; the values, attitudes and behaviours required of employees in delivering on strategic priorities; a description of each material risk; and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Banking Group identifies, measures, evaluates, monitors, reports and then either controls or mitigates material risks and the oversight mechanism and/or committees in place.
- The Risk Appetite Statement (RAS), which sets out the Board's expectations regarding, for each material risk, the maximum level of risk the Banking Group is willing to accept in pursuing its strategic objectives and its operating plans considering its stakeholders', depositors' and customers' interests.
- The Risk Culture principles, which are a subset of the Banking Group's organisational culture and an intrinsic part of the Banking Group's RMF.

The material risks facing the Banking Group per our RMS, and how these risks are managed, are summarised below.

Key material risks

Each key material risk has an associated RAS component, and where applicable, is measured by appropriate metric(s) and associated tolerance(s) representing the maximum level of risk appropriate to execute the Banking Group's strategic agenda. Metrics are prepared and reviewed at least monthly. A risk appetite dashboard is prepared and reviewed by senior management monthly, and presented to the BRC at each meeting.

Risk type	Description	Managing the risk
Strategic Risk	Risks that affect or are created by an organisation's business strategy and strategic objectives. A possible source of loss might arise from the pursuit of an unsuccessful business plan. For example, Strategic risk might arise from making poor strategic business decisions, from the sub-standard execution of decisions, or from a failure to respond well to changes in a business environment.	Strategic risks are discussed and managed through our annual strategic planning process, managed by the Executive Committee and approved by the Board. Where the strategy leads to an increase in other Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk) the risk management strategies associated with these risks form the primary controls.
Capital Adequacy Risk	The risk of loss arising from the Banking Group failing to maintain the level of capital required by prudential regulators and other key stakeholders (shareholders, debt investors, depositors, rating agencies, etc.) to support the Banking Group's consolidated operations and risk appetite.	We pursue an active approach to Capital Management, which is designed to protect the interests of depositors, creditors and stakeholders through ongoing review, and Board approval, of the level and composition of our capital base against key policy objectives. The ICAAP also operates as part of the management framework for this risk.
Credit Risk	The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit Risk incorporates the risks associated with our lending to business and retail customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies. Includes: • concentrations of credit risk; • intra-day credit risk; • credit risk to bank counterparties; and • related party credit risk.	Our Credit Risk framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle from initial approval and risk grading, through ongoing management and problem debt management. The effectiveness of the Credit Risk framework is assessed through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.
Liquidity and Funding Risk	The risk that the Banking Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Banking Group having insufficient capacity to fund increases in assets.	Key principles in managing our Liquidity and Funding Risk include: • the Banking Group's short term liquidity scenario modelling stresses cash flow projections against multiple survival horizons' over which the Banking Group is required to remain cash flow positive; and • longer-term scenarios are in place that measure the structural liquidity position of the balance sheet.

REGISTERED BANK DISCLOSURES

B8. RISK MANAGEMENT POLICIES (continued)

Risk type	Description	Managing the risk
Market Risk	The risk stems from our trading and balance sheet activities and is the risk to the Banking Group's earnings arising from: • changes in any interest rates, foreign exchange rates, credit spreads, volatility, and correlations; or • fluctuations in bond, commodity or equity prices.	We have a detailed market risk management and control framework to support our trading and balance sheet activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach, along with related analysis, identifies the range of possible outcomes, that can be expected over a given period of time, and establishes the likelihood of those outcomes and allocates an appropriate amount of capital to support these activities. The Banking Group's key tools to measure and manage Market Risk on a daily basis include value at risk, earnings at risk, interest rate sensitivities, market value loss limits and stress testing.
Operational Risk	The risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and/or systems, or from external events. This definition includes legal risk, and the risk of reputation loss, but excludes strategic risk.	We manage Compliance and Operational Risk in the best interests of our customers and the community and to meet expectations of the regulators. The Compliance and Operational Risk Principles (Level 1) establish the fundamental requirements at the Banking Group which inform policies, processes, and procedure development of the Banking Group's management of Compliance and Operational Risk, through timely and appropriate identification, action and monitoring. It is part of the Banking Group's RMF and the Banking Group's I.AM (Identify, Act, Monitor) Framework (Level 2). We take a risk-based approach to the management of operational risk and obligations. This enables the Banking Group to be consistent in proactively identifying, assessing, managing, reporting and escalating operational risk-related risk exposures. Day-to-day management of operational risk is the responsibility of business unit line management and staff. Risk management, supported by a strong Risk Culture, helps to seek to ensure all staff are thinking about and managing risk on a daily basis – "Risk is Everyone's Responsibility".
	Compliance Risk The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to the Banking Group's businesses.	Key features of how we manage Compliance Risk as part of our Operational Risk and Compliance Framework include: • centralised management of key obligations; • an emphasis on identification of changing regulations and the business environment, to enable proactive assessment of emerging compliance risk; and • recognition of incident management as a separate element to enhance the Banking Group's ability to identify, manage and report on incidents/breaches in a timely manner.
	Conduct Risk The risk of loss or damage arising from the failure of the Banking Group, its employees or agents to appropriately consider the interests of customers, the integrity of the financial markets and the expectations of the community in conducting its business activities. The risk may arise not only from deliberate or negligent actions of individual employees, but may also be inadvertent and caused by inadequacies in the Banking Group's systems, processes and procedures.	Our approach to managing Conduct Risk is to seek to ensure that risks to customers, community and market integrity are identified, assessed, measured, evaluated, treated, monitored and reported with appropriate governance and oversight. The articulation of Conduct Risk as a Level 1 Risk Theme under the new Non-Financial Risk (NFR) model will help manage Conduct Risk as a key material risk for the Banking Group. To support the NFR model, the Banking Group has developed a Conduct Risk Framework and Conduct Risk taxonomy which facilitate a clear and consistent way of managing and monitoring the risk, and the risk is managed in conjunction with the Compliance and Operational Risk Framework (I.AM).
	Technology Risk The risk of loss and/or non-compliance with laws from inadequate or failed internal processes, people or systems that deliver technology assets and services to customers and staff. This risk includes technology assets and services delivered or managed by third parties, and external events. The risk specifically includes information security and cyber security and how information held by the Banking Group needs to be protected from inappropriate modification, loss, disclosure and unavailability.	Our approach to managing Technology Risk is to manage our operational risks caused by the use of technology, including risks associated with cyber security and third party providers, in a manner that seeks to ensure customer information is secure and service disruption is within acceptable levels.

B8. RISK MANAGEMENT POLICIES (continued)

Risk type	Description	Managing the risk
Financial Crime Risk	Financial Crime Risk covers the following risks at the Banking Group: • Money Laundering (ML) Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate the processing of the proceeds of crime to conceal their illegal origins and make them appear legitimate. • Terrorism Financing (TF) Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate the provision or collection of funds with the intention or knowledge that they may be used to carry out acts associated in support of terrorists or terrorist organisations. • Sanctions Risk – the risk of failing to comply with laws and regulations relating to sanctions imposed by governments and multinational bodies as a result of our products and services being misused to facilitate prohibited sanctions activities. • Fraud Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate intentional acts by one or more individuals, involving the use of deception to obtain an unjust or illegal advantage arising from internal or external sources.	Financial Crime Risk at the Banking Group is managed using a risk-based approach in conjunction with the Compliance and Operational Risk Framework (I.AM) and a three lines of defence model. In addition to a risk-based approach to risk management, for Sanctions there is a rules-based lens to ensure compliance with Sanctions legislation. For the Business to identify and manage Financial Crime Risk, it must identify its regulatory obligations and impacted business activities and maintain and monitor key controls.

Refer to Note 15 financial risk management for the disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

Other material risks

Other material risks do not require the same degree of active or transactional management as the Key material risks and are managed and monitored as part of the Banking Group's business, strategic and capital management process. The maximum level of risk is set as part of the Banking Group's ICAAP. Refer to Note 22 capital management for more information about the Banking Group's ICAAP, and the section 'Capital for other material risks' in Note B4 for the capital held for these risks.

Pension Risk	The risk of the value of investments in a defined benefit pension fund being insufficient to meet liabilities, resulting in additional funds being required to match pension liabilities.
Strategic Equity Risk	The risk of financial loss arising from the unexpected reduction in value of the Banking Group equity investments not held in the trading book, including the Banking Group's joint ventures and associates.
Fixed Asset Risk	The risk of financial loss arising from the negative revaluation of fixed assets owned and leased by the Banking Group, caused by adverse changes in business and/or economic conditions. Residual Value Risk is included in the definition of Fixed Assets, which is the risk that the market value of the underlying assets of operating leases may fall below the anticipated residual value.
Deferred Acquisition Costs Risk	The risk of loss arising from the failure of the benefits associated with the acquisition of interest earning assets to arise due to impairment, transfer, or prepayment.
Software Risk	The risk of financial loss arising from the unexpected accelerated write down of capitalised software expenditure due to diminished future economic benefits caused by adverse business or economic conditions.
Goodwill Risk	The risk of financial loss caused by the reduction in the net carrying value of acquired business resulting from lower than expected future economic benefits due to adverse business and economic conditions.

REGISTERED BANK DISCLOSURES

B8. RISK MANAGEMENT POLICIES (continued)

Capital adequacy

Refer to Note 22 capital management for the disclosures required under NZ IAS 1 *Presentation of financial statements*.

Reviews of the Banking Group's risk management systems

Refer to Note 15 financial risk management for details of the Internal Audit Function's reviews of the Banking Group's RMF. These reviews are not conducted by a party external to the Banking Group or the Ultimate Parent Bank.

Internal Audit Function of the Banking Group

The Banking Group has an Internal Audit Function, refer to Note 15 financial risk management for details.

The nature and scope of the responsibilities of the Audit Committee responsibilities, to which Internal Audit reports, are to assist the Board of Directors by providing oversight and review of:

- the Banking Group's financial reporting principles and policies, controls, systems and procedures;
- the effectiveness of the Banking Group's internal control and risk management framework;
- the work and internal audit standards of Internal Audit which reports directly and solely to the Chair of the Audit Committee;
- the integrity of the Banking Group's financial statements and the independent audit thereof, and the Banking Group's compliance with legal and regulatory requirements in relation thereto;
- any due diligence procedures;
- prudential supervision procedures and other regulatory requirements to the extent relating to financial reporting; and
- any other matters referred to it by the Board.

The Audit Committee is also responsible for:

- the appointment, annual evaluation and oversight of the external auditor;
- annual review of the independence, fitness and propriety, and qualifications of the external auditor;
- compensation of the external auditor; and
- where deemed appropriate, replacement of the external auditor.

In carrying out its responsibilities and duties, the Audit Committee will aim to seek fair customer outcomes and financial market integrity in its deliberations.

Measurement of impaired assets

Refer to Note 12 allowance for expected credit losses and Note 15 financial risk management for details of the Banking Group's approach to measurement of impaired assets. Further to this, impairment is assessed monthly, with individual allowances for credit impairment also updated monthly and collective allowances for credit impairment updated quarterly.

Credit risk mitigation

Refer to Note 18 offsetting for the policies and processes for, and extent of, on-balance sheet netting. The same policies and processes apply to off-balance sheet credit related commitments. No off-balance sheet credit related commitments or guarantees meet the criteria for netting.

As an AIRB bank, the Banking Group uses the comprehensive method to measure the mitigating effects of collateral.

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. The Banking Group generally takes collateral security in the form of real property or a security interest in personal property, except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance, in the form of housing loans, is generally secured against real estate while short term revolving consumer credit is generally unsecured.

B8. RISK MANAGEMENT POLICIES (continued)

Additional information about credit risk

Implementation of the advanced internal ratings based approach to credit risk measurement

The Banking Group adheres to the standards of risk grading and risk quantification as set out for IRB banks in the RBNZ Banking Prudential Requirements (BPRs). Under this IRB Framework banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

- Probability of Default (PD): An estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring.
- Exposure at Default (EAD): The expected facility exposure at default.
- Loss Given Default (LGD): An estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For Retail Mortgage exposures the Bank is required to apply the downturn LGDs according to loan to value (LVR) bands as set out in BPR133: *IRB Credit Risk RWAs*. For farm lending exposures the Banking Group is required to adopt RBNZ prescribed downturn LVR based LGDs, along with a minimum maturity of 2.5 years and the removal of the firm-size adjustment as set out in BPR133: *IRB Credit Risk RWAs*.

For exposures classified under Specialised Lending, the Banking Group uses slotting tables approved by RBNZ rather than internal estimates.

The exceptions to IRB treatment are Sovereign, Bank, Equity, Other, Qualifying Central Counterparty (QCCP) and two minor corporate exposure types where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document BPR131: *Standardised Credit Risk RWAs*.

Internal ratings based approach

IRB Asset Class	Borrower Type	Rating Approach
Corporate	Corporation, partnerships or proprietorships that do not fit any other asset classification	IRB - Advanced
	Corporate Small to Medium Enterprises (SME) with turnover of less than NZ$50 million	IRB - Advanced
Retail Mortgages	Individuals' borrowings against residential property	IRB - Advanced
Other Retail	Other lending to individuals (including credit cards)	IRB - Advanced
	SME business borrowers	IRB - Advanced
Corporate sub-class - Specialised lending	Project finance	IRB - Slotting
	Income producing real estate	IRB - Slotting

Standardised approach

Exposure Class	Exposure Type	Reason for Standardised Approach	Future Treatment
Sovereign	Crown	Required by BPRs	Standardised
	RBNZ	Required by BPRs	Standardised
	Any other sovereign and its central bank	Required by BPRs	Standardised
Bank		Required by BPRs	Standardised
Equity		Required by BPRs	Standardised
Other	All other assets not falling within any of the above classes	Required by BPRs	Standardised
Corporate	QCCP	Required by BPRs	Standardised
	Merchant card prepayment exposures	System constraints	Move to IRB
	Corporate credit cards	System constraints	Move to IRB

Controls surrounding credit risk rating systems

The term "Rating Systems" covers all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

All material aspects of the Rating Systems and risk estimate processes are governed by the BRC. Risk grades are an integral part of reporting to senior management and executives. Management and staff of credit risk functions, in conjunction with the relevant Retail and Wholesale Risk committees, regularly assess the performance of the rating systems, identify any areas for improvement and monitor progress on previously identified development work needed.

The Banking Group's Rating Systems are governed by a comprehensive framework of controls that operate at the business unit and support centres, and through central audit and validation processes. All policies, model designs, model reviews, methodologies, validations, responsibilities, systems and processes supporting the ratings systems are fully documented.

The Banking Group's Retail and Wholesale ratings functions work closely with the Ultimate Parent Bank's risk ratings functions, are independent of operational lending activities and are responsible for the ratings strategies and ongoing management of credit risk models within New Zealand. The annual review of models used across the Banking Group is a function undertaken by the ANZ Decision Model Validation Unit, which is also independent of credit risk operational functions and is responsible for overseeing the design, implementation and performance of all rating models in the Banking Group.

The target approach to modelling for the Banking Group is to deploy the model most suitable for the environment. At present this involves an approach to modelling that combines models developed in New Zealand and models developed by the Ultimate Parent Bank, tested and validated for use in New Zealand, as appropriate.

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 year ended 30 September 2022, after due enquiry, each Director believes that:

- ANZ Bank New Zealand Limited has complied in all material respects with each condition of registration that applied during that period except as noted on page 76[1];
- 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.

1 In accordance with the Order, ANZ Bank New Zealand Limited has complied in all material respects with each of its conditions of registration that applied during the period if RBNZ has not published any information about a breach on its website, and has not notified ANZ Bank New Zealand Limited of any material breach.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 11 November 2022.

Shayne Elliott

Gerard Florian

Alison Gerry

Rt Hon Sir John Key, GNZM AC

Scott St John

Mark Verbiest

Antonia Watson

Joan Withers

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

REPORT ON THE AUDIT OF THE BANKING GROUP'S DISCLOSURE STATEMENT

OPINION

We have audited the accompanying consolidated financial statements and registered bank disclosures of ANZ Bank New Zealand Limited and its related entities (the Banking Group) in section B2, B3, B5, B6, B7 and B8 which comprise:

- the consolidated balance sheet as at 30 September 2022;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order).

In our opinion, the accompanying consolidated financial statements on pages 4 to 67:

- give a true and fair view of the Banking Group's financial position as at 30 September 2022 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards.

In our opinion, the registered bank disclosures that are required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order are included in section B2, B3, B5, B6, B7 and B8 of the Disclosure Statement:

- have been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Banking (Prudential Supervision) Act 1989 and any conditions of registration;
- are in accordance with the books and records of the Banking Group in all material respects; and
- fairly states the matters to which it relates in accordance with those Schedules.

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Banking Group, as far as appears from our examination of those records.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA's (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements and registered bank disclosures in section B2, B3, B5, B6, B7 and B8 section of our report.

Our firm has also provided other services to the Banking Group in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews and agreed upon procedures 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 auditor of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

EMPHASIS OF MATTER – NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION

We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy. Our opinion on the consolidated financial statements and registered bank disclosures in section B2, B3, B4, B5, B6, B7 and B8 is not modified in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($751 MILLION)

Refer to the critical accounting estimates and judgement disclosures in relation to the allowance for expected credit losses in Note 12 to the Consolidated Financial Statements.

The key audit matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the consolidated financial statements and the inherent complexity of the Banking Group's Expected Credit Loss (ECL) models used to measure ECL allowances. These models are reliant on data and a number of estimates including impacts of multiple economic scenarios, and other assumptions such as defining a Significant Increase in Credit Risk (SICR).

NZ IFRS 9 requires the Banking Group to measure ECL on a forward-looking basis reflecting a range of future economic conditions. Post-model adjustments to the ECL results are also made by the Banking Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging both the economic scenarios used and the judgemental overlays that the Banking Group applies to the ECL results.

Additional subjectivity and judgement has been introduced into the Banking Group's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook on the Banking Group's customers, increasing our audit effort thereon.

The Banking Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Banking Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

Additionally, the determination of an allowance for individually assessed impairment on Business and Institutional (wholesale) loans requires significant judgement in estimating the expected future cash repayments and proceeds from the value of the collateral held in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Banking Group's significant accounting policies against the requirements of the accounting standard. KPMG Financial Risk Management and Economic specialists were used in ECL audit procedures as a core part of our audit team.

We tested key controls in relation to:

- The Banking Group's ECL model governance and validation processes which involved assessment of model performance;
- The Banking Group's assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Banking Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). We tested the approval of new lending facilities against the Banking Group's lending policies, and controls over the monitoring of counterparty credit quality; and
- The Banking Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We also tested relevant General Information Technology Controls over the key IT applications used by the Banking Group in measuring ECL allowances, as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans, controlled by the Banking Group's specialist workout and recovery team, who assessed these as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Banking Group as showing signs of deterioration, or in areas of emerging risk. For each loan sampled, we challenged the Banking Group's CCR and Security Indicator, assessment of loan recoverability, valuation of security and the impact on the credit allowance. To do this, we reviewed the information on the Banking Group's loan file, understood the facts and circumstances of the case with the relationship manager, and performed our own assessment of recoverability. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment, and comparing data and assumptions used by the Banking Group in recoverability assessments to externally sourced evidence, such external property sale information;
- Obtaining an understanding of the Banking Group's processes to determine ECL allowances, evaluating the Banking Group's ECL model methodologies against established market practices and criteria in the accounting standards;
- Working with KPMG Financial Risk Management specialists, we assessed the accuracy of the Banking Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Banking Group;
- Working with our KPMG Economic specialists, we challenged the Banking Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Banking Group's ECL models. We compared the Banking Group's forecast GDP and unemployment rates, to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the Banking Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Banking Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We also challenged key assumptions in the components of the Banking Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing post-model adjustments against the Banking Group's ECL model and data deficiencies identified by the Banking Group's ECL model validation processes, particularly in light of the significant volatility in economic scenarios;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying portfolio characteristics to loss experience, current market conditions and specific risks inherent in the Banking Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments. We also assessed assumptions used to determine whether a SICR event has occurred; and

- Assessing the completeness of post model adjustments by checking the consistency of risks we identified in the portfolios against the Banking Group's assessment.

We assessed the appropriateness of the Banking Group's disclosures in the consolidated financial statements using our understanding obtained from our testing and against the requirements of NZ IFRS.

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of Level 2 financial instruments in asset positions $17,496 million

Fair value of Level 2 financial instruments in liability positions $16,720 million

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 16 to the Consolidated Financial Statements.

The key audit matter

The fair value of the Banking Group's financial instruments is determined by the Banking Group through the application of valuation techniques which often involve the exercise of judgement and the use of assumption and estimates.

The valuation of Level 2 financial instruments held at fair value is a key audit matter due to the complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represent 51% of the Banking Group's financial assets carried at fair value and 98% of the Banking Group's financial liabilities carried at fair value.

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

Performing an assessment of the population of financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgment over valuation either due to unobservable inputs or complex models.

We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:

- Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
- Model validation at inception and periodically, including assessment of model limitation and assumptions;
- Collateral management process, including review of margin reconciliations with clearing houses; and
- Reviews and approval of fair value adjustments (FVAs), including exit price and portfolio level adjustments.

With the assistance of KPMG valuation specialists, we independently revalued a selection of financial instruments and FVAs on level 2 instruments. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models. We challenged the Banking Group where our revaluations significantly differed from the Banking Group's valuations.

We assessed the Banking Group's consolidated financial statement disclosures, including key judgements and assumptions using our understanding obtained from our testing and against NZ IFRS.

IT SYSTEMS AND CONTROLS

The key audit matter

As a major New Zealand bank, the Banking Group's businesses utilise a large number of complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operations of IT systems are critical to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Banking Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Banking Group's IT controls.

How the matter was addressed in our audit

We tested the control environment for key IT applications used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which support the effective operation of technology-enabled business processes. KPMG IT specialists were used throughout the engagement as a core part of our audit team.

Our audit procedures included:

- Assessing the governance and higher-level controls in place across the IT environment, including the approach to the Banking Group policy design, review and awareness, and IT risk and cyber security management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT application and the supporting infrastructure;
- Design and operating effectiveness testing of controls in place over change management, including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to IT applications across the Banking Group and whether access was commensurate with their job responsibilities;
- Design and operating effectiveness testing of controls used by the Banking Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs per the ANZ Delivery Framework; and
- Design and operating effectiveness testing of automated business process controls including those that enforce segregation of duties between conflicting roles within IT applications, configurations in place to perform calculations, mappings, and flagging of financial transactions, automated reconciliation controls (both between systems, and intra-system) and data integrity of critical system reporting used by us in our audit to select samples and analysis data used by management to generate financial reporting.

INDEPENDENT AUDITOR'S REPORT

CARRYING VALUE OF GOODWILL ($3,006 MILLION)

Refer to the critical accounting estimates, judgements and disclosures in Note 19 to the Consolidated Financial Statements.

The key audit matter

The carrying value of goodwill is a key audit matter, where there are a number of judgements required in the determination of the recoverable amount of goodwill, and where the carrying value of goodwill is financially significant at the reporting date.

The Banking Group uses a value-in-use (VIU) approach to estimate the recoverable amount of each Cash Generating Unit (CGU) to which goodwill is allocated. The reasonableness of the recoverable amounts was assessed using an implied market-multiples approach.

The uncertainties associated with the economic outlook increases the potential for impairment and our audit effort in this area remains elevated. There is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and market-multiples used in the reasonableness assessment.

We focused on the significant forward-looking assumptions the Banking Group applied as part of its annual impairment test as at 28 February 2022, including:

- Revenue growth rates, and terminal growth rates in the VIU model. Available headroom for some CGUs is sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Banking Group's strategy; and
- Discount rates in the VIU model and the control premium in the market-multiples reasonableness assessment. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time.

How the matter was addressed in our audit

We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

Working with our valuation specialists, our procedures included:

- In accordance with accounting standards, assessing the reasonableness of the amounts allocated to the CGUs to which the Banking Group allocated goodwill;
- Considering the appropriateness of the valuation method applied by the Banking Group to perform their annual test for impairment against the requirements of the accounting standards;
- Assessing the integrity of the VIU model used by the Banking Group, including the accuracy of the underlying calculation formulae;
- Assessing the accuracy of previous Banking Group forecasts to inform our evaluation of forecasts incorporated in the VIU model;
- For each CGU, assessing the Banking Group's key assumptions used in the VIU model, including discount rates, revenue growth rates, and terminal growth rates by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- Stress testing key VIU assumptions to consider reasonably possible alternatives;
- Comparing the forecast cash flows contained in the model to the revised Operational forecast, reflecting the higher interest rate environment, the increased regulatory minimum capital requirements and the economic outlook;
- Assessing key assumptions used in the market-multiples reasonableness assessment, which we assessed as being equivalent to a fair value less costs of disposal approach. These assumptions included future maintainable earnings, the control premium comparing the implied multiples from comparable market transactions to the implied multiples used in the VIU model;
- Determining whether there is sufficient appropriate evidence to support the Banking Group's conclusion that there is no impairment in goodwill associated with any CGU;
- Assessing the reasonableness of the Banking Group's review for potential internal and external indicators of impairment. This review considered the period from the annual impairment test as at 28 February 2022 up to financial year end; and
- Assessing the disclosures in the financial statements against the requirements of the accounting standards.

OTHER INFORMATION

The Directors, on behalf of the Banking Group, are responsible for the general disclosures required to be included in the Banking Group's Disclosure Statement in accordance with Schedule 2 of the Order (section B1).

Our opinion on the consolidated financial statements does not cover section B1 (referred to as 'other information') and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTION B1, B2, B3, B5, B6, B7 AND B8

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with Clause 24 of the Order, NZ IFRS and International Financial Reporting Standards;
- the preparation and fair presentation of supplementary information, in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are 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 AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTION B2, B3, B5, B6, B7 AND B8

Our objective is:

- to obtain reasonable assurance about whether the Disclosure Statement, including the consolidated financial statements prepared in accordance with Clause 24 of the Order, and registered bank disclosures in section B2, B3, B5, B6, B7 and B8, prepared in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (the XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

REVIEW CONCLUSION ON THE REGISTERED BANK DISCLOSURES IN SECTION B4 RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS (SECTION B4)

Based on our review, nothing has come to our attention that causes us to believe that the registered bank disclosures relating to capital adequacy and regulatory liquidity ratios, disclosed in section B4 of the Disclosure Statement, is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

We have reviewed the registered bank disclosures, as disclosed in section B4 of the Disclosure Statement for the year ended 30 September 2022, which are required to be disclosed in accordance with Schedule 11 of the Order.

BASIS FOR CONCLUSION ON THE REGISTERED BANK DISCLOSURES IN SECTION B4

A review of the registered bank disclosures in section B4 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, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our responsibilities under that standard are further described in the Auditor's Responsibilities for the Review of the registered bank disclosures in section B4 of our report.

As the auditor of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

EMPHASIS OF MATTER – NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION

We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy. Our review opinion on the registered bank disclosures in section B4 is not modified in respect of these matters.

RESPONSIBILITIES OF DIRECTORS FOR THE REGISTERED BANK DISCLOSURES IN SECTION B4

The Directors, on behalf of the Banking Group, are responsible for the preparation of the registered bank disclosures in section B4, that is required to be prepared and disclosed in accordance with Schedule 11 of the Order.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE REGISTERED BANK DISCLOSURES IN SECTION B4

Our responsibility is to express a conclusion on the registered bank disclosures in section B4 based on our review. We conducted our review in accordance with NZ SRE 2410 issued by the New Zealand External Reporting Board. As the auditor of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements, and plan and perform the review to obtain limited assurance about whether the registered bank disclosures in section B4 is, in all material respects, disclosed in accordance with Schedule 11 of the Order.

A review of the registered bank disclosures in section B4 in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISAs (NZ). Accordingly we do not express an audit opinion on the registered bank disclosures in section B4.

INDEPENDENT AUDITOR'S REPORT

USE OF THIS INDEPENDENT AUDITOR'S REPORT

This independent auditor's report is made solely to the shareholder of the Banking Group. Our work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's 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 as a body for our work, this independent auditor's report, or any of the opinions or conclusions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Munro.

For and on behalf of

KPMG

KPMG
Auckland

11 November 2022

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ANZ BANK NEW ZEALAND LIMITED
ANNUAL REPORT AND REGISTERED BANK DISCLOSURE STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

NUMBER 96 | ISSUED NOVEMBER 2021

CONTENTS

ANNUAL REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Bank has agreed that the Annual Report of the Banking Group need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year ended 30 September 2021 and the audit report on those financial statements.

For and on behalf of the Board of Directors:

Rt Hon Sir John Key, GNZM AC
Chair
10 November 2021

Antonia Watson
Executive Director
10 November 2021

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.

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.

FINANCIAL STATEMENTS

Financial statements

Notes to the financial statements

FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 30 September	Note	2021 NZ$m	2020 NZ$m
Interest income		4,600	5,568
Interest expense		(1,176)	(2,306)
Net interest income	2	3,424	3,262
Other operating income	2	765	807
Operating income		4,189	4,069
Operating expenses	3	(1,621)	(1,752)
Profit before credit impairment and income tax		2,568	2,317
Credit impairment release / (charge)	12	114	(403)
Profit before income tax		2,682	1,914
Income tax expense	4	(743)	(541)
Profit for the year		1,939	1,373

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2021 NZ$m	2020 NZ$m
Profit for the year	1,939	1,373
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on defined benefit schemes	56	(6)
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised gains / (losses) recognised directly in equity	(75)	122
Realised losses transferred to the income statement	8	12
Income tax attributable to the above items	3	(36)
Other comprehensive income after tax	(8)	92
Total comprehensive income for the year	1,931	1,465

The notes appearing on pages 8 to 69 form an integral part of these financial statements

BALANCE SHEET

As at 30 September	Note	2021 NZ$m	2020 NZ$m
Assets			
Cash and cash equivalents	7	**7,844**	8,248
Settlement balances receivable		**237**	378
Collateral paid		**537**	1,394
Trading securities	8	**9,585**	12,797
Derivative financial instruments	9	**9,304**	9,702
Investment securities	10	**11,926**	9,893
Net loans and advances	11	**140,756**	132,698
Deferred tax assets	4	**390**	327
Goodwill and other intangible assets	19	**3,091**	3,092
Premises and equipment		**509**	590
Other assets		**590**	625
Total assets		**184,769**	179,744
Liabilities			
Settlement balances payable		**2,704**	2,950
Collateral received		**738**	1,275
Deposits and other borrowings	13	**133,139**	125,061
Derivative financial instruments	9	**7,727**	8,252
Current tax liabilities		**170**	251
Payables and other liabilities		**1,464**	1,115
Employee entitlements		**138**	143
Other provisions	20	**295**	389
Debt issuances	14	**21,502**	24,439
Total liabilities		**167,877**	163,875
Net assets		**16,892**	15,869
Equity			
Share capital	21	**11,888**	11,888
Reserves		**70**	118
Retained earnings		**4,934**	3,863
Total equity		**16,892**	15,869

For and on behalf of the Board of Directors:

Rt Hon Sir John Key, GNZM AC
Chair
10 November 2021

Antonia Watson
Executive Director
10 November 2021

The notes appearing on pages 8 to 69 form an integral part of these financial statements

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the year ended 30 September	2021 NZ$m	2020 NZ$m
Profit after income tax	1,939	1,373
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortisation	124	158
Loss on sale and impairment of premises and equipment	7	5
Goodwill impairment	-	28
Net derivatives/foreign exchange adjustment	(940)	(1,044)
Proceeds from divestments net of intangibles disposed of, classified as investing activities	-	(533)
Other non-cash movements	151	20
Net (increase)/decrease in operating assets:		
Collateral paid	857	930
Trading securities	3,212	(3,855)
Net loans and advances	(8,058)	(173)
Other assets	113	(372)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	6,778	11,634
Settlement balances payable	(246)	1,343
Collateral received	(537)	284
Other liabilities	205	(112)
Total adjustments	1,666	8,313
Net cash flows from operating activities[1]	3,605	9,686
Cash flows from investing activities		
Investment securities:		
Purchases	(5,528)	(5,569)
Proceeds from sale or maturity	2,833	2,790
Proceeds from divestments	-	659
Other assets	(39)	(64)
Net cash flows from investing activities	(2,734)	(2,184)
Cash flows from financing activities		
Deposits and other borrowings[2]	1,300	-
Debt issuances[3]		
Issue proceeds	3,278	2,327
Redemptions	(4,899)	(3,885)
Repayment of lease liabilities	(46)	(50)
Dividends paid	(908)	(9)
Net cash flows from financing activities	(1,275)	(1,617)
Net change in cash and cash equivalents	(404)	5,885
Cash and cash equivalents at beginning of year	8,248	2,363
Cash and cash equivalents at end of year	7,844	8,248

1 Net cash provided by operating activities includes income taxes paid of NZ$884 million (2020: NZ$691 million).
2 Movement in deposits and other borrowings includes repurchase transactions entered into with the RBNZ under the Funding for Lending Programme of NZ$1,000 million and the Term Lending Facility of NZ$300 million.
3 Movement in debt issuances (Note 14 Debt Issuances) also includes an NZ$958 million decrease (2020: NZ$557 million decrease) from the effect of foreign exchange rates, a NZ$398 million decrease (2020: NZ$286 million increase) from changes in fair value hedging instruments and a NZ$40 million increase (2020: NZ$61 million increase) from other changes.

The notes appearing on pages 8 to 69 form an integral part of these 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 2019		11,888	(6)	27	2,521	14,430
Impact on transition to NZ IFRS 16 *Leases*		-	-	-	(17)	(17)
As at 1 October 2019 (adjusted)		11,888	(6)	27	2,504	14,413
Profit or loss		-	-	-	1,373	1,373
Unrealised gains recognised directly in equity		-	19	103	-	122
Realised losses transferred to the income statement		-	-	12	-	12
Actuarial loss on defined benefit schemes		-	-	-	(6)	(6)
Income tax credit / (expense) on items recognised directly in equity		-	(5)	(32)	1	(36)
Total comprehensive income for the year		-	14	83	1,368	1,465
Transactions with Immediate Parent Company in its capacity as owner:						
Preference dividends paid	21	-	-	-	(9)	(9)
Transactions with Immediate Parent Company in its capacity as owner		-	-	-	(9)	(9)
As at 30 September 2020		11,888	8	110	3,863	15,869
As at 1 October 2020		11,888	8	110	3,863	15,869
Profit or loss		-	-	-	1,939	1,939
Unrealised gains / (losses) recognised directly in equity		-	77	(152)	-	(75)
Realised losses / (gains) transferred to the income statement		-	(2)	10	-	8
Actuarial gain on defined benefit schemes		-	-	-	56	56
Income tax credit / (expense) on items recognised directly in equity		-	(21)	40	(16)	3
Total comprehensive income for the year		-	54	(102)	1,979	1,931
Transactions with Immediate Parent Company in its capacity as owner:						
Ordinary dividends paid	5	-	-	-	(900)	(900)
Preference dividends paid	21	-	-	-	(8)	(8)
Transactions with Immediate Parent Company in its capacity as owner		-	-	-	(908)	(908)
As at 30 September 2021		11,888	62	8	4,934	16,892

The notes appearing on pages 8 to 69 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for ANZ Bank New Zealand Limited (the Bank) and its controlled entities (together, the 'Banking Group') for the year ended 30 September 2021. The Bank is incorporated and domiciled in New Zealand. The address of the Bank's registered office and its principal place of business is ANZ Centre, 23-29 Albert Street, Auckland, New Zealand.

On 10 November 2021, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Banking Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Banking Group's business during the period – for example: business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Banking Group's operations that is important to its future performance (qualitative factor); or
- the information is required under legislative requirements of the Financial Markets Conduct Act 2013 or by the Banking Group's principal regulator, RBNZ.

This section of the financial statements:

- outlines the basis upon which the Banking Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

These financial statements are general purpose (Tier 1) financial statements prepared by a 'for profit' entity, in accordance with the requirements of the Financial Markets Conduct Act 2013. These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

We present the financial statements of the Banking Group in New Zealand dollars, which is the Banking Group's functional and presentation currency. We have rounded values to the nearest million dollars (NZ$m), unless otherwise stated.

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except for the following assets and liabilities which we have stated at their fair value:

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

BASIS OF CONSOLIDATION

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Banking Group when we determine that the Banking Group has control over the entity. Control exists when the Banking Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Banking Group the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Banking Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income, translation differences are included in the investment securities revaluation reserve in equity.

FIDUCIARY ACTIVITIES

The Banking Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Banking Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If the Banking Group is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Banking Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its ongoing effects on the global economy have continued to impact our customers, operations and the Banking Group's performance. Governments have responded at unprecedented levels to protect the health of the population, local economies and livelihoods. The course of the pandemic and vaccination levels have varied across the globe and government responses have differed in their extent and timing. Economies are reopening at different rates whilst the risk of subsequent waves of infection remain. Thus there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers in the ongoing management of the virus;
- the impact and expected response of the economy (and forecasts of key economic factors including GDP, employment and house prices). This includes the response of capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts; and
- the efficacy of vaccines against variants of the virus, and the effectiveness of government and central bank measures to support businesses and consumers through this disruption.

The Banking Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are outside the control of the Banking Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. Uncertainty surrounding the integrity of IBOR rates has led regulators and industry to transition away from IBOR to alternative risk-free benchmark reference rates (RFRs).

As had been anticipated, in March 2021 the UK Financial Conduct Authority announced the dates on which IBORs will cease, after which representative IBOR rates will no longer be available. The cessation of the majority of IBOR rates will occur on 31 December 2021, notably for the Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY) settings in their entirety, and the US Dollar (USD) 1-week and 2-month LIBOR settings. The Banking Group has ceased issuing new products referencing these rates. Other USD LIBOR settings will cease by 30 June 2023.

The Banking Group has exposure to IBORs through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities.

Other significant interest rate benchmarks applicable to the Banking Group's banking activities with customers and our own risk management activities include the Euro Interbank Offered Rate (Euribor), the AUD Bank Bill Swap Rate (BBSW) and the NZ Bank Bill Market Rate (BKBM). These are not impacted by IBOR reform and these benchmark rates are expected to remain for the foreseeable future.

Banking Group approach to interest rate benchmark reform

The development of new RFR products and the migration of the Banking Group's existing contracts that reference IBORs to RFRs exposes the Banking Group to financial, compliance, legal and operational risks. The Banking Group is managing the transition to RFRs and these risks through a Benchmark Transition Programme (the Programme), which is overseen by a formal Steering Committee of senior executives.

The IBOR reforms have a wide-ranging impact for the Banking Group and our customers, given the fundamental differences between IBORs and RFRs. RFRs are available both as backward-looking in arrears rates and, for some currencies, as forward-looking term rates. The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate, transition on an economically comparable basis.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

The Programme includes the identification of impacted IBOR contracts across the Banking Group, actions necessary to develop product capability and transition existing contracts to RFRs. This includes the assessment and mitigation of financial, legal and conduct risks arising from changes to pricing and valuation (largely interest rate risk), compliance risks arising from any potential non-compliance with relevant regulatory requirements, legal risks arising from changes to customer contracts, and operational risks including changes to IT systems, controls and reporting infrastructure. In undertaking these changes, the Banking Group is actively engaging RBNZ in respect of our IBOR transition readiness.

To date, the Banking Group has commenced transitioning existing IBOR derivative trades to reference RFR benchmark rates and has established processes to offer loans referencing RFR benchmark rates. The Banking Group continues to extend and deliver its RFR product suite and pricing options to be able support our customers in line with regulatory best practice guidelines.

The Programme also includes the management of the impact on customers. The Banking Group is well-progressed in ensuring all customer transition plans are finalised ahead of IBOR cessation dates, with the significant majority of our derivative counterparties with exposures referencing IBORs agreeing to amend existing contracts by adhering to the industry developed ISDA 2020 IBOR Fallbacks Protocol (ISDA Protocol) to facilitate a standardised and orderly transition to RFRs. The Banking Group has also adhered to the ISDA Protocol.

In relation to our loan and transaction banking customers, the Banking Group has commenced a proactive outreach programme to ensure an orderly and well-managed migration to RFRs. The Banking Group's customer arrangements reference USD LIBOR, which will continue to be published for the most widely used settings until 30 June 2023.

Changes to accounting standards

In 2018, given the uncertainty with regards to the longer term viability of IBORs, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications of the reforms, given the significant potential consequences for financial instrument accounting.

In November 2019, the External Reporting Board (XRB) issued XRB amending standard *Interest Rate Benchmark Reform*, which amended certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Banking Group elected to early adopt the amendments from 1 October 2019, which have not had a significant impact on the Banking Group.

In September 2020, the XRB issued *Interest Rate Benchmark Reform - Phase 2* (the Standard), which the Banking Group early adopted from 1 April 2021. This Standard addresses issues that may affect the Banking Group at the point of transition from an existing IBOR to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The Standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost: IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Banking Group. The Standard provides a practical expedient to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This applies only when the change is a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis;
- Additional relief for hedging relationships: the Standard amends a number of existing hedge accounting requirements such that the Banking Group will not have to discontinue any hedge accounting relationships solely because of changes made because of the reform if all other hedge accounting criteria are met; and
- Additional disclosure requirements: the Standard amended NZ IFRS 7 *Financial Instruments: Disclosures*, which requires additional qualitative and quantitative disclosures in relation to the impact of IBOR reforms on the Banking Group. These disclosures are contained within this note.

Financial impacts of IBOR reform

The following sets out the Banking Group's impact assessment in relation to IBOR reforms as at 30 September 2021:

i) **Impact for the year ended 30 September 2021**

For the year ended 30 September 2021, the net impact of the reforms recognised in the Banking Group's net profit after tax is not material. The impacts recognised in the current year include:

a) changes in the fair values of certain derivative financial instruments for which it is known at balance sheet date – as a result of regulatory pronouncements confirming IBOR cessation – that the fair valuation will incorporate a change to an RFR at a future date; and

b) revenue from a small number of customers in the Institutional segment who have transitioned to derivative contracts referencing an RFR by 30 September.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ii) Exposures subject to benchmark reform as at 30 September 2021

The table below shows the Banking Group's exposures to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

	Financial instruments yet to transition to RFRs	
	US dollar LIBOR	Others[1]
As at 30 September 2021	NZ$m	NZ$m
Derivative asset (notional value)[3]	62,348	2,237
Derivative liability (notional value)[3]	40,847	808
Loan commitments[2,4]	198	-

1 Comprises financial instruments referencing other significant benchmark rates subject to cessation yet to transition to alternative benchmarks.
2 Excludes Expected Credit Losses (ECL).
3 For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Banking Group discloses the New Zealand dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Banking Group discloses the notional amount of the receive leg.
4 For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the base currency of the facility. In the event the base currency interest rate is not subject to cessation, but can be drawn in a currency subject to cessation, the allocation is based on most likely currency of drawdown.

iii) Hedge accounting exposures subject to IBOR reform

The Banking Group has hedge-accounted relationships referencing IBORs, with the most significant being US dollar LIBOR, primarily due to the Banking Group's fixed rate debt issuances denominated in US dollars that are designated in fair value hedge accounting relationships.

The table below details the carrying values of the Banking Group's US dollar exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform The nominal value of the associated hedging instruments is also included:

	As at 30 September 2021
	US dollar LIBOR exposures
Hedged items	NZ$m
Debt issuances	7,458

	Notional designated up to 30 June 2023	Notional designated beyond 30 June 2023	Total notional amount
Hedging Instruments	NZ$m	NZ$m	NZ$m
Fair value hedges	2,109	5,162	7,271

As at 30 September 2021, the Banking Group also has Swiss franc exposures designated in hedge accounting relationships of NZ$973 million subject to IBOR reform.

Other hedge accounting relationships referencing the Euribor, BBSW and BKBM are not impacted by IBOR reform as these benchmark rates are expected to remain for the foreseeable future.

iv) Future development

As the most widely referenced US dollar LIBOR benchmark tenors will continue to be published up to 30 June 2023, the Banking Group's transition programme supporting our customers and the Banking Group's own risk management activities will continue beyond 2021.

REVISED CONCEPTUAL FRAMEWORK

On 1 October 2020, the Banking Group adopted New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (2018 *Conceptual Framework*). The new framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The adoption of the conceptual framework did not have a material impact on the Banking Group.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2021, and have not been applied by the Banking Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both 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 *Financial Instruments: Recognition and Measurement* (NZ IAS 39) hedge accounting requirements until the IASB's ongoing project on macro hedge accounting is completed. The Banking Group continues to apply the hedge accounting requirements of NZ IAS 39.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

Amendments to New Zealand Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends NZ IAS 12 *Income Taxes* and clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may include transactions such as leases and decommissioning or restoration obligations. This amendment is effective for the Banking Group from 1 October 2023 and is not expected to have a significant impact.

2. OPERATING INCOME

	2021 NZ$m	2020 NZ$m
Net interest income		
Interest income by type of financial asset		
Financial assets at amortised cost	4,355	5,277
Trading securities	106	148
Investment securities	139	143
Interest income	4,600	5,568
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(1,148)	(2,272)
Financial liabilities designated at fair value through profit or loss	(28)	(34)
Interest expense	(1,176)	(2,306)
Net interest income	3,424	3,262
Other operating income		
(i) Fee and commission income		
Lending fees	30	33
Non-lending fees	678	673
Commissions	35	57
Funds management income	271	258
Fee and commission income	1,014	1,021
Fee and commission expense	(459)	(463)
Net fee and commission income	555	558
(ii) Other income		
Net foreign exchange earnings and other financial instruments income[1]	179	261
Sale of legacy insurance portfolio[2]	14	-
Sale of UDC Finance Limited (UDC)	-	(32)
Other	17	20
Other income	210	249
Other operating income	765	807
Operating income	4,189	4,069

1 Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cashflow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.

2 The Bank sold and transferred its rights and obligations relating to servicing a legacy portfolio of insurance underwritten by Tower Limited (Tower) to Tower in March 2021.

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest income and expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value through profit or loss. We use the effective interest rate method to calculate amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instruments (for example loan origination fees and costs), using the effective interest rate method. This is presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

OTHER OPERATING INCOME

Fee and commission income

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on our other products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Banking Group provides multiple goods or services to a customer under the same contract, the Banking Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission it retains as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered.

Net foreign exchange earnings and other financial instruments income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges and cash flow hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the investment securities revaluation reserve in equity when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

SHARE OF ASSOCIATES' PROFIT / (LOSS)

The equity method is applied to accounting for associates. Under the equity method, the Banking Group's share of the after tax results of associates is included in the income statement and the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES

	2021 NZ$m	2020 NZ$m
Personnel		
Salaries and related costs	891	886
Superannuation costs	29	29
Other	15	73
Personnel	935	988
Premises		
Rent	18	21
Depreciation	79	96
Other	37	40
Premises	134	157
Technology		
Depreciation and amortisation	45	62
Subscription licences and outsourced services	140	138
Other	36	39
Technology	221	239
Other		
Advertising and public relations	43	43
Professional fees	58	58
Freight, stationery, postage and communication	42	41
Goodwill impairment	-	28
Charges from Ultimate Parent Bank	120	97
Other	68	101
Other	331	368
Operating expenses	1,621	1,752

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Banking Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS – ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Banking Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of government bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Banking Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

4. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	2021 NZ$m	2020 NZ$m
Profit before income tax	**2,682**	1,914
Prima facie income tax expense at 28%	**751**	536
Tax effect of permanent differences:		
Sale of legacy insurance portfolio	**(4)**	-
Sale of UDC	**-**	9
Tax provisions no longer required	**(3)**	(3)
Non-assessable income and non-deductible expenditure	**3**	2
Subtotal	**747**	544
Income tax over provided in previous years	**(4)**	(3)
Income tax expense	**743**	541
Current tax expense	**770**	821
Adjustments recognised in the current year in relation to the current tax of prior years	**(4)**	(3)
Deferred tax income relating to the origination and reversal of temporary differences	**(23)**	(277)
Income tax expense	**743**	541
Effective tax rate	**27.7%**	28.3%

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends	Amount per share	Total dividend NZ$m
Financial Year 2020		
No dividends were paid during the year ended 30 September 2020	-	-
Financial Year 2021		
Dividend paid in June 2021	14.2 cents	900
Dividends paid during the year ended 30 September 2021		900

IMPUTATION CREDIT ACCOUNT

	2021 NZ$m	2020 NZ$m
Imputation credits available	7,221	6,443

The imputation credit balance for the Banking Group includes the imputation credit balance in relation to both the New Zealand resident imputation group and other companies in the Banking Group that are not in the New Zealand resident imputation group. The imputation credit balance available includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

6. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Banking Group is organised into three major business segments for segment reporting purposes - Personal, Business and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

During the year ended 30 September 2021, the Banking Group reorganised into the following business segments: Personal (including Personal Banking and Funds Management), Business, and Institutional. These are intended to better align the Banking Group's internal business with the needs of its primary customer groups, home owners and business owners. These changes were implemented from August 2021 and have been accounted for prospectively. There were net movements of NZ$870 million of loans and advances and NZ$4,750 million of customer deposits from Retail to Business, and NZ$31 million of goodwill from Commercial to Personal. The reorganisation is expected to be completed in the first half of 2022. Comparative amounts have not been restated because the estimated impact on the financial performance and financial position of the affected segments, Personal and Business, is not considered material.

Personal (previously Retail)

Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.

Business (previously Commercial)

Business provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional

The Institutional division services governments, global institutional and corporate customers via the following business units:

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

6. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

	Personal		Business[1]		Institutional		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 30 September	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Net interest income	1,990	1,812	1,064	1,073	333	345	37	32	3,424	3,262
Net fee and commission income										
- Lending fees	9	15	3	1	18	17	-	-	30	33
- Non-lending fees	612	610	10	10	56	53	-	-	678	673
- Commissions	34	57	-	-	1	-	-	-	35	57
- Funds management income	271	258	-	-	-	-	-	-	271	258
- Fee and commission expense	(459)	(463)	-	-	-	-	-	-	(459)	(463)
Net fee and commission income	467	477	13	11	75	70	-	-	555	558
Other income	19	13	-	-	160	308	31	(72)	210	249
Other operating income	486	490	13	11	235	378	31	(72)	765	807
Operating income	2,476	2,302	1,077	1,084	568	723	68	(40)	4,189	4,069
Operating expenses	(1,147)	(1,214)	(262)	(303)	(185)	(198)	(27)	(37)	(1,621)	(1,752)
Profit before credit impairment and income tax	1,329	1,088	815	781	383	525	41	(77)	2,568	2,317
Credit impairment release / (charge)	18	(145)	62	(223)	34	(35)	-	-	114	(403)
Profit before income tax	1,347	943	877	558	417	490	41	(77)	2,682	1,914
Income tax expense	(373)	(273)	(246)	(156)	(117)	(138)	(7)	26	(743)	(541)
Profit after income tax	974	670	631	402	300	352	34	(51)	1,939	1,373
Financial position										
Goodwill	1,042	1,011	895	926	1,069	1,069	-	-	3,006	3,006
Net loans and advances	95,061	86,362	39,158	39,333	6,535	6,993	2	10	140,756	132,698
Customer deposits	78,592	79,867	23,744	18,437	22,793	22,559	-	-	125,129	120,863

1 UDC was part of the Business segment until the sale on 1 September 2020.

OTHER SEGMENT

The Other segment profit after income tax comprises:

Item	2021 NZ$m	2020 NZ$m
Personal and Business central functions	(2)	4
Group centre[1,2]	20	(33)
Economic hedges[2]	16	(22)
Total	34	(51)

1 Group centre's other income for the year ended 30 September 2020 includes the NZ$32 million loss on sale of UDC (Note 2 Operating Income).
2 Amounts for the year ended 30 September 2020 include the transfer of NZ$23 million of accumulated after tax unrealised losses on economic hedges of UDC loans and advances to Group centre. These losses were transferred upon the sale of UDC.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL ASSETS

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under NZ IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

7. CASH AND CASH EQUIVALENTS

	2021 NZ$m	2020 NZ$m
Coins, notes and cash at bank	163	187
Securities purchased under agreements to resell in less than 3 months	610	782
Balances with central banks	6,697	7,108
Settlement balances receivable within 3 months	374	171
Cash and cash equivalents	7,844	8,248

8. TRADING SECURITIES

	2021 NZ$m	2020 NZ$m
Government securities	7,985	11,251
Corporate and financial institution securities	1,600	1,546
Trading securities	9,585	12,797

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any revaluation recognised in the profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to measure the fair value of trading securities not valued using quoted market prices. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value	Assets 2021 NZ$m	Liabilities 2021 NZ$m	Assets 2020 NZ$m	Liabilities 2020 NZ$m
Derivative financial instruments - held for trading	8,504	(7,001)	8,423	(6,887)
Derivative financial instruments - designated in hedging relationships	800	(726)	1,279	(1,365)
Derivative financial instruments	**9,304**	**(7,727)**	9,702	(8,252)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract – sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Banking Group's derivative financial instruments have been categorised as follows:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Banking Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in hedging relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Banking Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Banking Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which one party exchanges one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The Banking Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign exchange	Currencies at current or determined rates of exchange.
Interest rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa, and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customer or third parties.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Banking Group uses central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

In August 2021, the Banking Group amended the terms of its legal agreements with one of its central clearing counterparties giving effect to this form of legal settlement. As a result of this change, collateral paid and received by the Banking Group under these agreements is no longer separately recognised, instead settling the Banking Group's outstanding derivative exposures and reducing the associated carrying values of the derivative asset and liability balances. The impact of this change as at 30 September 2021 is a reduction in derivative assets of NZ$3.9 billion and derivative liabilities of NZ$4.1 billion, and a reduction in net collateral paid of NZ$0.2 billion.

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Banking Group's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading are:

Fair value	Assets 2021 NZ$m	Liabilities 2021 NZ$m	Assets 2020 NZ$m	Liabilities 2020 NZ$m
Interest rate contracts				
Forward rate agreements	1	(1)	7	(8)
Futures contracts	19	(5)	8	(4)
Swap agreements	4,465	(3,368)	5,926	(3,714)
Options purchased	1	-	3	(2)
Total	4,486	(3,374)	5,944	(3,728)
Foreign exchange contracts				
Spot and forward contracts	2,217	(1,862)	1,009	(955)
Swap agreements	1,762	(1,716)	1,432	(2,155)
Options purchased	24	(2)	26	-
Options sold	2	(23)	-	(27)
Total	4,005	(3,603)	2,467	(3,137)
Commodity contracts and credit default swaps	13	(24)	12	(22)
Derivative financial instruments - held for trading	8,504	(7,001)	8,423	(6,887)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

The Banking Group uses two types of hedge accounting relationships:

	Fair value hedge	Cash flow hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.
Recognition of ineffective hedge portion	Recognised immediately in other operating income.	
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.

Under the policy choice provided by NZ IFRS 9 *Financial Instruments*, the Banking Group has continued to apply the hedge accounting requirements of NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments designated in hedging relationships are:

	2021			2020		
	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m
Fair value hedges						
Interest rate swap agreements	28,024	572	(512)	27,905	644	(818)
Cash flow hedges						
Interest rate swap agreements	27,820	228	(214)	41,191	635	(547)
Derivative financial instruments - designated in hedging relationships	55,844	800	(726)	69,096	1,279	(1,365)

The maturity profile of the nominal amounts of our hedging instruments held is:

Nominal amount	Average interest rate	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
As at 30 September 2021						
Fair value hedges						
Interest rate	1.47%	247	3,556	13,718	10,503	28,024
Cash flow hedges						
Interest rate	1.51%	2,585	5,226	18,981	1,028	27,820
As at 30 September 2020						
Fair value hedges						
Interest rate	1.54%	79	3,196	16,221	8,409	27,905
Cash flow hedges						
Interest rate	1.83%	5,195	12,890	21,477	1,629	41,191

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness						Amount reclassified from the cash flow hedge reserve to profit and loss	
	Change in value of hedging instrument[2]		Change in value of hedged item		Hedge ineffectiveness recognised in profit and loss			
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Fair value hedges[1]								
Interest rate	295	217	(289)	(215)	6	2	-	-
Cash flow hedges[1]								
Interest rate	(153)	103	152	(103)	(1)	-	10	12

1 All instruments are classified as derivative financial instruments.
2 Changes in value of hedging instruments is before any adjustments for Settle to Market.

Hedge ineffectiveness recognised is classified within other operating income. Reclassification adjustments to the statement of comprehensive income are recognised within net interest income.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Banking Group's fair value hedges are:

	Balance sheet presentation	Hedged risk	Carrying amount Assets NZ$m	Carrying amount Liabilities NZ$m	Accumulated fair value hedge adjustments on the hedged item Assets NZ$m	Accumulated fair value hedge adjustments on the hedged item Liabilities NZ$m
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	-	-	-	-
Fixed rate debt issuances	Debt issuances	Interest rate	-	(16,307)	-	(245)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	11,915	-	(361)	-
Total			11,915	(16,307)	(361)	(245)
As at 30 September 2020						
Fixed rate loans and advances	Net loans and advances	Interest rate	1,542	-	10	-
Fixed rate debt issuances	Debt issuances	Interest rate	-	(18,029)	-	(643)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	9,679	-	322	-
Total			11,221	(18,029)	332	(643)

1 The carrying amount of debt instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income to the income statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the balance sheet is NZ$2 million (2020: NZ$11 million).

The hedged items in relation to the Banking Group's cash flow hedges are:

	Hedged risk	Continuing hedges 2021 NZ$m	Continuing hedges 2020 NZ$m	Discontinued hedges 2021 NZ$m	Discontinued hedges 2020 NZ$m
Floating rate loans and advances	Interest rate	48	577	(1)	-
Floating rate customer deposits	Interest rate	(36)	(421)	2	(4)

All cash flow hedges relate to hedges of interest rate risk and the movements in the cash flow hedge reserve are shown in the statement of changes in equity on page 7.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Banking Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the income statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated into a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated into a hedging relationship the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 21 for profit or loss treatment for each hedge type. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Banking Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to measure the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

10. INVESTMENT SECURITIES

	2021 NZ$m	2020 NZ$m
Investment securities measured at fair value through other comprehensive income		
Debt securities	11,925	9,892
Equity securities	1	1
Total	11,926	9,893

As at 30 September 2021	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	No maturity NZ$m	Total NZ$m
Government securities	272	363	7,704	3,171	-	11,510
Corporate and financial institution securities	2	123	290	-	-	415
Equity securities	-	-	-	-	1	1
Total	274	486	7,994	3,171	1	11,926
As at 30 September 2020						
Government securities	1,021	641	6,662	1,168	-	9,492
Corporate and financial institution securities	3	113	284	-	-	400
Equity securities	-	-	-	-	1	1
Total	1,024	754	6,946	1,168	1	9,893

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Banking Group's customer lending activities are classified as loans and advances (rather than investment securities) to better reflect the substance of the arrangement.

Non-trading equity instruments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as investment securities are subject to the general classification and measurement policy for financial assets outlined on page 18. Additionally, expected credit losses associated with 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for Expected Credit Losses, and the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to measure the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS

11. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Banking Group:

	Note	2021 NZ$m	2020 NZ$m
Overdrafts		799	659
Credit cards		1,127	1,300
Term loans - housing		98,513	89,258
Term loans - non-housing		40,528	41,882
Subtotal		140,967	133,099
Unearned income		(18)	(26)
Capitalised brokerage and other origination costs		392	319
Gross loans and advances		141,341	133,392
Allowance for expected credit losses	12	(585)	(694)
Net loans and advances		140,756	132,698
Residual contractual maturity:			
Within one year		32,708	35,158
More than one year		108,048	97,540
Net loans and advances		140,756	132,698

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$318 million as at 30 September 2021 (2020: NZ$287 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Banking Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses.

The Banking Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Banking Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Banking Group's balance sheet, however if substantially all the risks and rewards are transferred, the Banking Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, then the Banking Group derecognises the asset. If control over the asset is not lost, the Banking Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer as assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 18. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for Expected Credit Losses.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2021			2020		
	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Net loans and advances at amortised cost	525	60	585	588	106	694
Off-balance sheet commitments	107	15	122	137	22	159
Total	632	75	707	725	128	853

The following tables present the movement in the allowance for ECL for the year.

Net loans and advances

Allowance for ECL is included in net loans and advances.

			Stage 3		
	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2019	164	194	42	97	497
Transfer between stages	25	(30)	4	1	-
New and increased provisions (net of collective provision releases)	(2)	206	34	157	395
Write-backs	-	-	-	(34)	(34)
Bad debts written-off (excluding recoveries)	-	-	-	(92)	(92)
Discount unwind	-	-	-	(9)	(9)
Sale of UDC	(25)	(23)	(1)	(14)	(63)
As at 30 September 2020	162	347	79	106	694
Transfer between stages	16	(14)	(2)	-	-
New and increased provisions (net of collective provision releases)	(23)	(19)	(21)	67	4
Write-backs	-	-	-	(63)	(63)
Bad debts written-off (excluding recoveries)	-	-	-	(47)	(47)
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2021	155	314	56	60	585

Off-balance sheet credit related commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2019	60	24	2	11	97
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	17	36	1	11	65
Sale of UDC	(1)	(2)	-	-	(3)
As at 30 September 2020	79	55	3	22	159
Transfer between stages	3	(4)	1	-	-
New and increased provisions (net of collective provision releases)	(18)	(12)	-	(7)	(37)
As at 30 September 2021	64	39	4	15	122

The collectively assessed allowance for ECL decreased by NZ$93 million attributable to: a reduction of NZ$62 million from the improving economic outlook offset by changes to the allowance for model uncertainty due to the continuing pandemic; and a reduction of NZ$31 million due to portfolio credit risk profile improvements, offset by an increase in mortgage lending.

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

	2021 NZ$m	2020 NZ$m
New and increased provisions (net of releases)		
- Collectively assessed	(93)	291
- Individually assessed	60	169
Write-backs	(63)	(34)
Recoveries of amounts previously written-off	(18)	(23)
Total credit impairment charge / (release)	(114)	403

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) – the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) – the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) – the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Banking Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Banking Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Banking Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Banking Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Banking Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Banking Group considers both qualitative and quantitative information:

i. Internal credit rating grade
For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria
The Banking Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives
Facilities previously subject to the COVID-19 payment deferral arrangements have been subsumed into the normal loan portfolios and SICR applied accordingly.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Banking Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario
The base case scenario is our view of likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Banking Group's Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Banking Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios
The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario
The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

In estimating collectively assessed ECL, the Banking Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the ECL model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Banking Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the year ended 30 September 2021
Determining when a SICR has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Banking Group monitors the effectiveness of SICR criteria on an ongoing basis.	The support packages offered to customers in response to COVID-19 in 2020 and 2021 have ceased with the majority of customers who took up the support packages having reverted back to their normal loan repayments. Given the recent cessation of these packages, the Banking Group has provided a component of ECL for expected delinquencies that may have been obscured by the support measures.
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Banking Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. During the year ended 30 September 2021 an adjustment was made to the modelled outcome to account for increased model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the year ended 30 September 2021.
Base case economic forecast	The Banking Group derives a forward-looking "base case" economic scenario which reflects our view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2021, the base case assumptions have been updated to reflect the evolving situation with respect to COVID-19, including emergence from lockdowns, government stimulus measures and roll-out of vaccines. In determining the expected path of the economy, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as payment deferrals) were considered. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2021 are described below under the heading "Base case economic forecast assumptions".

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the year ended 30 September 2021
Probability weighting of each scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case scenario at each measurement date.	The key consideration for probability weightings in the current period is the continued uncertain economic impacts of COVID-19. The Banking Group considers these weightings to provide estimates of the possible loss outcomes taking into account short and long-term inter-relationships within the Banking Group's credit portfolios. As at 30 September 2021, a base case weighting of 50% has been applied, and more weight has been applied to the downside scenario given the Banking Group's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines and their efficacy, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to personal and business banking. Management temporary adjustments total NZ$177 million (2020: NZ$177 million).

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic and associated government, business and consumer responses, increases the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures, including the roll-out of vaccines and the relaxation of containment measures, impacting the spread of COVID-19;
- the expected impact on the economy, including the timing and speed of the economic response and differences between sectors; and
- the effects of progressive reductions in stimulus measures, in particular their impact on the extent and duration of economic recovery.

The economic drivers of the base case economic forecasts at 30 September 2021 are set out below. These reflect our view of future macro-economic conditions at 30 September 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
New Zealand	2021	2022	2023
Gross domestic product (GDP) (annual % change)	4.3%	4.3%	2.9%
Unemployment rate	4.1%	3.9%	3.9%
Residential property prices (annual % change)	22.4%	0.4%	5.2%
Consumer price index (CPI)	3.3	2.9	1.9

The base case economic forecasts as at 30 September 2021 indicate a significant improvement in current and expected economic conditions from the forecasts as at 30 September 2020 reflecting the ongoing progress and actions in responding to the COVID-19 pandemic.

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 relaxation of containment measures by governments, and the take-up of vaccines limiting the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential ongoing recovery of the economy, the base case weighting remains at 50% and the downside scenario has been increased to 40.5% (2020: 32.0%).

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Banking Group considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Banking Group's credit portfolios. The average weightings applied are set out below:

	2021	2020
Base	50.0%	50.0%
Upside	4.5%	8.0%
Downside	40.5%	32.0%
Severe downside	5.0%	10.0%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Banking Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2021:

	ECL NZ$m	Impact NZ$m
If 1% of Stage 1 facilities were included in Stage 2	637	5
If 1% of Stage 2 facilities were included in Stage 1	631	(1)
100% upside scenario	251	(381)
100% base scenario	327	(305)
100% downside scenario	594	(38)
100% severe downside scenario	792	160

FINANCIAL LIABILITIES

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are 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, except where doing so would create or enlarge an accounting mismatch in profit or loss.

13. DEPOSITS AND OTHER BORROWINGS

	Note	2021 NZ$m	2020 NZ$m
Term deposits		40,668	50,069
On demand and short term deposits		62,648	53,910
Deposits not bearing interest		21,813	16,884
Total customer deposits		125,129	120,863
Certificates of deposit		1,875	1,782
Commercial paper		4,433	1,748
Securities sold under repurchase agreements		1,663	646
Deposits from Immediate Parent Company and NZ Branch	26	39	22
Deposits and other borrowings		133,139	125,061
Residual contractual maturity:			
Within one year		129,726	121,421
More than one year		3,413	3,640
Deposits and other borrowings		133,139	125,061
Carried on balance sheet at:			
Amortised cost		128,706	123,313
Fair value through profit or loss (designated on initial recognition)		4,433	1,748
Deposits and other borrowings		133,139	125,061

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Banking Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Banking Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

14. DEBT ISSUANCES

The Banking Group uses a variety of funding programmes to issue unsubordinated debt and subordinated debt. The difference between unsubordinated debt and subordinated debt is that holders of unsubordinated debt take priority over holders of subordinated debt owed by the relevant issuer. In any liquidation event subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the unsubordinated debt holders.

	2021 NZ$m	2020 NZ$m
Senior debt	14,220	17,476
Covered bonds	4,248	4,522
Total unsubordinated debt	18,468	21,998
Subordinated debt		
- Additional Tier 1 capital instruments	2,441	2,441
- Tier 2 capital instruments	593	-
Total debt issued	21,502	24,439

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Banking Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		2021 NZ$m	2020 NZ$m
AUD	Australian dollars	45	49
EUR	Euro	8,055	8,332
NZD	New Zealand dollars	4,494	4,921
CHF	Swiss Francs	984	1,053
USD	United States dollars	7,924	10,084
Total debt issued		21,502	24,439
Residual contractual maturity:			
Within one year		4,334	5,133
More than one year		17,168	19,306
Total debt issued		21,502	24,439

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.

SUBORDINATED DEBT

All subordinated debt is issued by the Bank and qualifies as regulatory capital for the Banking Group. Each subordinated debt instrument is classified as either Additional Tier 1 (AT1) capital, in the case of the ANZ NZ Capital Notes (ANZ NZ CN), ANZ NZ Internal Capital Notes 1 (ANZ NZ ICN) and ANZ NZ Internal Capital Notes 2 (ANZ NZ ICN2), or Tier 2 capital for RBNZ's capital adequacy purposes depending on the terms and conditions of the instruments.

In any liquidation event impacting the Bank, Tier 2 capital instruments rank ahead of AT1 capital instruments. AT1 capital instruments rank equally with each other and with the Bank's preference shares and only rank ahead of ordinary shares.

AT1 CAPITAL

AT1 capital notes are fully paid convertible non-cumulative perpetual subordinated notes. Holders of AT1 capital notes do not have any right to vote in general meetings of the Bank. As at 30 September 2021, ANZ NZ CN carried a BBB- 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). Early redemption is subject to RBNZ's, and in the case of ANZ NZ CN, APRA's prior written approval.

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

14. DEBT ISSUANCES (continued)

- 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 most recently published Disclosure Statement) or the 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 RBNZ has released new capital adequacy requirements for New Zealand banks, which are being implemented from October 2021 to July 2028. Under the new requirements, from 1 January 2022, the AT1 capital notes are subject to a 12.5% reduction in their regulatory capital recognition. As a result, the Bank has determined that a regulatory event has occurred in respect of these notes. The occurrence of a regulatory event means that the Bank may choose to redeem any of the AT1 capital notes at its discretion. A redemption of the AT1 capital notes is subject to certain conditions, including regulatory approvals. As at 10 November 2021, no decision has been made on whether the Bank will redeem the AT1 capital notes.

The table below show the key details of the AT1 capital notes on issue at 30 September in both the current and the prior years:

	ANZ NZ CN	ANZ NZ ICN	ANZ NZ ICN2
Issue date	31 March 2015	5 March 2015	15 June 2016
Issue amount and carrying value	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	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 (as per deed poll)	n/a[1]	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

1 On 2 April 2020, RBNZ announced that locally incorporated banks, including the Bank, should not redeem capital notes at that time. Accordingly, the Bank was not permitted to, and did not, redeem ANZ NZ CN on 25 May 2020 (the Optional Exchange Date). Further, the Bank did not exercise its option to convert ANZ NZ CN into ordinary shares of the Ultimate Parent Bank on the Optional Exchange Date.

TIER 2 CAPITAL

Tier 2 capital notes are fully paid unsecured subordinated notes. As at 30 September 2021 the notes carried an A- credit rating from S&P Global Ratings. Interest payments are subject to the Bank being solvent at the time of, and immediately following, the payment. Unpaid interest accumulates, and will be paid at the earlier of when the Bank is solvent again or at maturity. The Bank may repay the notes early on the dates specified below, or in certain other circumstances (such as a tax or regulatory event). Early repayment is subject to certain conditions, including approval from the RBNZ.

Issue date	17 September 2021
Issue amount and carrying value	Issue amount: NZ$600 million; Carrying value (net of issue costs): NZ$593 million
Face value	NZ$1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 2.999% p.a. until 17 September 2026. Resets on 17 September 2026 to a floating rate: New Zealand 3 month Bank bill rate + 1.25%
Issuer's early redemption	17 September 2026 or any interest payment date thereafter
Maturity	17 September 2031

RECOGNITION AND MEASUREMENT

Debt issuances are measured at amortised cost. Where the Banking Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt. Interest expense is recognised using the effective interest rate method.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Event or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit and loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Banking Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Banking Group's key material risks.

This note details the Banking Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks:

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Banking Group's earnings arising from: • changes in interest rates, foreign exchanges rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Banking Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Banking Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity portfolio management • Funding position • Residual contractual maturity analysis of the Banking Group's liabilities

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures* (NZ IFRS 7).

The Board is responsible for establishing and overseeing the Banking Group's Risk Management Framework (RMF). The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with the Banking Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Banking Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Banking Group is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes the Banking Group's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Banking Group identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Banking Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At the Banking Group, risk is everyone's responsibility.

The Banking Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect the Banking Group's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

Internal Audit Function

Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor. The Internal Audit Plan is developed using a risk based approach and is reviewed quarterly. The Audit Committee approves the plan.

All audit activities are conducted in accordance with local and international internal auditing standards, and the results of the activities are reported to the Audit Committee and management. These results influence the performance assessment of business heads. Furthermore, Internal Audit monitors the remediation of audit issues and reports the current status of any outstanding audits.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Banking Group's major sources of income. As this activity is also a key material risk, the Banking Group dedicates considerable resources to its management. The Banking Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities.

Our credit risk management framework ensures we apply a consistent approach across the Banking Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

The BRC delegates responsibility for day-to-day management of credit risk and compliance with credit risk policies to the Bank's Credit Risk Management Committee (CRMC).

We quantify credit risk through an internal credit rating system (Master Scale) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Banking Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Banking Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover such factors as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogeneous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Banking Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, internal capital allocation, and credit provisioning.

All customers with whom the Banking Group has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Banking Group's internal CCR to manage the credit quality of financial assets. To enable wider comparisons, the Banking Group's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	The Banking Group customer requirements	Moody's Rating	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 – Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	n/a	n/a

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Banking Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
On-balance sheet positions						
Net loans and advances	140,756	132,698	-	-	140,756	132,698
Other financial assets:						
Cash and cash equivalents	7,844	8,248	163	187	7,681	8,061
Settlement balances receivable	237	378	-	-	237	378
Collateral paid	537	1,394	-	-	537	1,394
Trading securities	9,585	12,797	-	-	9,585	12,797
Derivative financial instruments	9,304	9,702	-	-	9,304	9,702
Investment securities	11,926	9,893	-	-	11,926	9,893
Other financial assets[2]	496	547	-	-	496	547
Total other financial assets	39,929	42,959	163	187	39,766	42,772
Subtotal	180,685	175,657	163	187	180,522	175,470
Off-balance sheet commitments						
Undrawn and contingent facilities[3]	30,030	30,857	-	-	30,030	30,857
Total	210,715	206,514	163	187	210,552	206,327

1 Bank notes and coins and cash at bank within cash and cash equivalents.
2 Other financial assets mainly comprise accrued interest and acceptances.
3 Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT QUALITY

An analysis of the Banking Group's credit risk exposure is presented in the following tables based on the Banking Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements.

Net loans and advances

			Stage 3		
As at 30 September 2021	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	116,578	1,620	-	-	118,198
Satisfactory	17,122	3,134	-	-	20,256
Weak	293	1,447	-	-	1,740
Defaulted	-	-	618	155	773
Subtotal	133,993	6,201	618	155	140,967
Allowance for ECL	(155)	(314)	(56)	(60)	(585)
Net loans and advances at amortised cost	133,838	5,887	562	95	140,382
Coverage ratio	0.12%	5.06%	9.06%	38.71%	0.41%
Unearned income					(18)
Capitalised brokerage and other origination costs					392
Net carrying amount					140,756
As at 30 September 2020					
Strong	98,259	5,508	-	-	103,767
Satisfactory	21,446	4,578	-	-	26,024
Weak	405	1,734	-	-	2,139
Defaulted	-	-	808	361	1,169
Subtotal	120,110	11,820	808	361	133,099
Allowance for ECL	(162)	(347)	(79)	(106)	(694)
Net loans and advances at amortised cost	119,948	11,473	729	255	132,405
Coverage ratio	0.13%	2.94%	9.78%	29.36%	0.52%
Unearned income					(26)
Capitalised brokerage and other origination costs					319
Net carrying amount					132,698

Other financial assets

	2021 NZ$m	2020 NZ$m
Strong	39,702	42,275
Satisfactory	49	447
Weak	15	50
Defaulted	-	-
Total carrying amount	39,766	42,772

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

Off-balance sheet commitments - undrawn and contingent facilities

			Stage 3		
As at 30 September 2021	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	25,072	142	-	-	25,214
Satisfactory	3,734	1,037	-	-	4,771
Weak	12	100	-	-	112
Defaulted	-	-	32	23	55
Gross undrawn and contingent facilities	28,818	1,279	32	23	30,152
Allowance for ECL included in Other provisions (refer to Note 20)	(64)	(39)	(4)	(15)	(122)
Net undrawn and contingent facilities	28,754	1,240	28	8	30,030
Coverage ratio	0.22%	3.05%	12.50%	65.22%	0.40%
As at 30 September 2020					
Strong	25,525	302	-	-	25,827
Satisfactory	3,949	974	-	-	4,923
Weak	27	179	-	-	206
Defaulted	-	-	19	41	60
Gross undrawn and contingent facilities	29,501	1,455	19	41	31,016
Allowance for ECL included in Other provisions (refer to Note 20)	(79)	(55)	(3)	(22)	(159)
Net undrawn and contingent facilities	29,422	1,400	16	19	30,857
Coverage ratio	0.27%	3.78%	15.79%	53.66%	0.51%

15. FINANCIAL RISK MANAGEMENT (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Banking Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Banking Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately as required by the Order.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
New Zealand residents								
Agriculture	**16,316**	17,049	**43**	70	**854**	862	**17,213**	17,981
Forestry and fishing, agriculture services	**659**	678	**5**	5	**137**	113	**801**	796
Manufacturing	**2,342**	2,407	**162**	161	**2,126**	2,350	**4,630**	4,918
Electricity, gas, water and waste services	**946**	1,098	**337**	567	**1,828**	1,991	**3,111**	3,656
Construction	**1,165**	1,150	**9**	26	**909**	955	**2,083**	2,131
Wholesale trade	**1,264**	1,243	**51**	69	**1,790**	1,797	**3,105**	3,109
Retail trade and accommodation	**2,473**	2,415	**12**	27	**848**	992	**3,333**	3,434
Transport, postal and warehousing	**943**	838	**55**	159	**708**	738	**1,706**	1,735
Finance and insurance services	**1,040**	948	**10,969**	11,139	**1,774**	1,800	**13,783**	13,887
Rental, hiring & real estate services	**37,441**	35,529	**1,627**	1,270	**2,357**	2,314	**41,425**	39,113
Professional, scientific, technical, administrative and support services	**830**	923	**5**	7	**480**	545	**1,315**	1,475
Public administration and safety[1]	**305**	283	**12,453**	16,395	**808**	883	**13,566**	17,561
Households	**71,274**	64,522	**156**	167	**13,564**	13,757	**84,994**	78,446
All other New Zealand residents[2]	**1,905**	2,059	**96**	153	**1,869**	1,796	**3,870**	4,008
Subtotal	**138,903**	131,142	**25,980**	30,215	**30,052**	30,893	**194,935**	192,250
Overseas								
Finance and insurance services	**104**	127	**13,755**	12,540	**100**	123	**13,959**	12,790
Households	**1,259**	1,172	**3**	3	**-**	-	**1,262**	1,175
All other non-NZ residents	**701**	658	**28**	14	**-**	-	**729**	672
Subtotal	**2,064**	1,957	**13,786**	12,557	**100**	123	**15,950**	14,637
Gross total	**140,967**	133,099	**39,766**	42,772	**30,152**	31,016	**210,885**	206,887
Allowance for ECL	**(585)**	(694)	**-**	-	**(122)**	(159)	**(707)**	(853)
Subtotal	**140,382**	132,405	**39,766**	42,772	**30,030**	30,857	**210,178**	206,034
Unearned income	**(18)**	(26)	**-**	-	**-**	-	**(18)**	(26)
Capitalised brokerage and other origination costs	**392**	319	**-**	-	**-**	-	**392**	319
Maximum exposure to credit risk	**140,756**	132,698	**39,766**	42,772	**30,030**	30,857	**210,552**	206,327

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.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans – housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans – business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, investment securities, derivatives and other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by the Banking Group when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent liabilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Net loans and advances	**140,756**	132,698	**133,801**	125,770	**6,955**	6,928
Other financial assets	**39,766**	42,772	**1,878**	2,761	**37,888**	40,011
Off-balance sheet positions	**30,030**	30,857	**16,241**	15,291	**13,789**	15,566
Total	**210,552**	206,327	**151,920**	143,822	**58,632**	62,505

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Banking Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risk and compliance with market risk policies to the Bank's Asset & Liability Committee (ALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Banking Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

<table>
<tr><th>Traded market risk</th><th>Non-traded market risk</th></tr>
<tr><td>Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are:
• Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities.
• Interest rate risk – potential loss from changes in market interest rates or their implied volatilities.
• Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark.
• Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities.
• Equity risk – potential loss arising from changes in equity prices.</td><td>Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.</td></tr>
</table>

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Banking Group's possible daily loss based on historical market movements.

The Banking Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using a one-day holding period. For stressed VaR we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

The Banking Group measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2021				2020			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Traded value at risk 99% confidence								
Foreign exchange	0.6	2.3	0.2	1.0	0.7	2.0	0.2	0.7
Interest rate	2.9	7.4	2.0	4.4	6.1	8.7	1.0	3.2
Credit	0.5	1.5	0.3	0.8	1.2	1.6	0.4	0.8
Diversification benefit[1]	(1.0)	n/a	n/a	(1.3)	(1.3)	n/a	n/a	(0.9)
Total VaR	3.0	9.4	2.2	4.9	6.7	10.3	1.1	3.8

1 The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Banking Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Banking Group's banking book, while ensuring the Banking Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Banking Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the Banking Group.

	2021				2020			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Non-traded value at risk 99% confidence								
Total VaR	22.5	38.4	22.3	30.5	29.1	29.1	9.5	16.6

We undertake scenario analysis to stress test the impact of extreme events on the Banking Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	2021	2020
Impact of 1% rate shock		
As at period end	-1.4%	-0.6%
Maximum exposure	0.2%	1.5%
Minimum exposure	-2.0%	-0.6%
Average exposure (in absolute terms)	-1.0%	0.5%

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Where it is considered appropriate, the Banking Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily Australian Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Banking Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding is overseen by ALCO. The Banking Group's liquidity and funding risks are governed by a set of principles approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Banking Group has the ability to meet 'survival horizons' under Banking Group specific and general market liquidity stress scenarios to meet cash flow obligations over the short to medium term;
- maintaining strength in the Banking Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Banking Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing a detailed contingency plan to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Supervision and regulation

The RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario modelling

A key component of the Banking Group's liquidity management framework is scenario modelling.

Potential severe liquidity crisis scenarios which model the behaviour of cash flows where there is a problem (real or perceived) may include, but are not limited to, operational issues, doubts about the solvency of the Banking Group, or adverse rating changes. Under these scenarios the Banking Group may have significant difficulty rolling over or replacing funding. The Banking Group's liquidity policy requires sufficient high quality liquid assets to be held to meet its liquidity needs for the following 30 calendar days under the modelled scenarios.

As of 30 September 2021 the Banking Group was in compliance with the above scenarios.

Structural balance sheet metrics

The Banking Group's liquidity management framework also encompasses structural balance sheet metrics such as the RBNZ core funding ratio. These metrics are designed to limit the amount of wholesale funding required to be rolled over within a 1 year timeframe and so interact with the liquidity scenarios to maintain the Banking Group's liquidity position.

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency with targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term and long-term wholesale funding is managed and executed by Treasury operations.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group is not required to issue large volumes of new wholesale funding within a short time period to replace maturing wholesale funding. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by regular updates and is linked to the Banking Group's three-year strategic planning cycle.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY PORTFOLIO MANAGEMENT

The Banking Group holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of the Banking Group's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

Total liquidity portfolio

	2021 NZ$m	2020 NZ$m
Central and local government bonds	**10,312**	10,729
Government treasury bills	**899**	3,909
Certificates of deposit	**959**	389
Other bonds	**8,913**	7,525
Securities eligible to be accepted as collateral in repurchase transactions	**21,083**	22,552
Cash and balances with central banks	**7,013**	7,385
Total liquidity portfolio	**28,096**	29,937

Assets held in the Banking Group's liquidity portfolio include short term cash held with RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated New Zealand domestic corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ$9,647 million at 30 September 2021 (2020: NZ$8,184 million).

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- In November 2020, RBNZ announced the FLP which aims to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks can obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). An additional allocation of up to 2% of eligible loans is available, subject to certain conditions. The Bank's initial allocation is NZ$5,223 million and its additional allocation is NZ$2,611 million. The additional allocation is available until 6 December 2022, and the initial allocation is available until 6 June 2022.

As at 30 September 2021, the Bank had drawn NZ$300 million (2020: nil) under the TLF and NZ$1,000 million (2020: nil) under the FLP. These amounts are included in securities sold under repurchase agreements in Note 13 Deposits and Other Borrowings.

Liquidity crisis contingency planning

The Banking Group maintains a liquidity crisis contingency plan to define an approach for analysing and responding to a liquidity-threatening event on a group wide basis. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- outlined action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls; and
- assigned responsibilities for internal and external communications.

15. FINANCIAL RISK MANAGEMENT (continued)

FUNDING POSITION

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

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

	Note	2021 NZ$m	2020 NZ$m
Funding composition			
Customer deposits	13	**125,129**	120,863
Wholesale funding			
Debt issuances		**21,502**	24,439
Certificates of deposit and commercial paper		**6,308**	3,530
Other borrowings		**1,702**	668
Total wholesale funding		**29,512**	28,637
Total funding		**154,641**	149,500
Customer deposits by industry - New Zealand residents			
Agriculture, forestry and fishing		**4,485**	4,109
Manufacturing		**2,707**	2,863
Construction		**2,884**	2,750
Wholesale trade		**2,688**	2,407
Retail trade and accommodation		**2,177**	2,280
Financial and insurance services		**13,836**	14,491
Rental, hiring and real estate services		**4,260**	3,691
Professional, scientific, technical, administrative and support services		**6,560**	5,748
Public administration and safety		**1,813**	2,043
Arts, recreation and other services		**2,226**	2,199
Households		**67,196**	64,203
All other New Zealand residents[1]		**4,807**	4,280
		115,639	111,064
Customer deposits by industry - overseas			
Households		**8,693**	9,219
All other non-NZ residents		**797**	580
		9,490	9,799
Total customer deposits		**125,129**	120,863
Wholesale funding (financial and insurance services industry)			
New Zealand		**7,891**	6,814
Overseas		**21,621**	21,823
Total wholesale funding		**29,512**	28,637
Total funding		**154,641**	149,500
Concentrations of funding by geography			
New Zealand		**123,530**	117,878
Australia		**983**	1,243
United States		**12,791**	12,223
Europe		**10,369**	10,976
Other countries		**6,968**	7,180
Total funding		**154,641**	149,500

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.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE BANKING GROUP'S FINANCIAL LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September 2021 and 30 September 2020 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.

It should be noted that this is not how the Banking Group manages its liquidity risk. The management of this risk is detailed on page 45.

2021	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	2,383	323	-	-	-	2,706
Collateral received	-	738	-	-	-	738
Deposits and other borrowings	84,461	21,444	24,175	3,604	-	133,684
Derivative financial liabilities (trading)	-	7,665	-	-	-	7,665
Debt issuances[1]	-	26	4,594	12,863	4,907	22,390
Lease liabilities	-	13	39	165	70	287
Other financial liabilities	-	192	48	382	268	890
Derivative financial instruments (balance sheet management)						
- gross inflows	-	447	3,098	4,559	296	8,400
- gross outflows	-	(468)	(3,106)	(4,572)	(251)	(8,397)

2020	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	2,378	573	-	-	-	2,951
Collateral received	-	1,275	-	-	-	1,275
Deposits and other borrowings	70,794	25,610	25,685	3,895	-	125,984
Derivative financial liabilities (trading)	-	6,374	-	-	-	6,374
Debt issuances[1]	-	450	5,061	14,762	4,840	25,113
Lease liabilities	-	13	39	178	99	329
Other financial liabilities	-	80	6	98	68	252
Derivative financial instruments (balance sheet management)						
- gross inflows	-	392	1,924	6,638	366	9,320
- gross outflows	-	(496)	(2,042)	(6,502)	(282)	(9,322)

1 Any callable wholesale debt instruments have been included at their next call date. Refer to Note 14 Debt Issuances for subordinated debt call dates.

At 30 September 2021, NZ$30,152 million (2020: NZ$31,016 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.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Banking Group carries a significant number of financial instruments on the balance sheet at fair value. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Banking Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Banking Group holds offsetting risk positions, then the Banking Group uses the portfolio exemption in NZ IFRS 13 *Fair Value Measurement* (NZ IFRS 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or liability	Fair value approach
Financial instruments classified as: - Trading securities - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with the carrying amounts as recorded on the balance sheet.

		2021			2020		
	Note	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m
Financial assets							
Cash and cash equivalents	7	7,844	-	7,844	8,248	-	8,248
Settlement balances receivable		237	-	237	378	-	378
Collateral paid		537	-	537	1,394	-	1,394
Trading securities	8	-	9,585	9,585	-	12,797	12,797
Derivative financial instruments	9	-	9,304	9,304	-	9,702	9,702
Investment securities	10	-	11,926	11,926	-	9,893	9,893
Net loans and advances	11	140,756	-	140,756	132,698	-	132,698
Other financial assets		496	-	496	547	-	547
Total		149,870	30,815	180,685	143,265	32,392	175,657
Financial liabilities							
Settlement balances payable		2,704	-	2,704	2,950	-	2,950
Collateral received		738	-	738	1,275	-	1,275
Deposits and other borrowings	13	128,706	4,433	133,139	123,313	1,748	125,061
Derivative financial instruments	9	-	7,727	7,727	-	8,252	8,252
Debt issuances	14	21,502	-	21,502	24,439	-	24,439
Other financial liabilities		572	676	1,248	679	158	837
Total		154,222	12,836	167,058	152,656	10,158	162,814

NOTES TO THE FINANCIAL STATEMENTS

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Banking Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted market price (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Assets								
Trading securities	8,276	8,848	1,309	3,949	-	-	9,585	12,797
Derivative financial instruments	19	8	9,284	9,691	1	3	9,304	9,702
Investment securities	11,925	9,892	-	-	1	1	11,926	9,893
Total	20,220	18,748	10,593	13,640	2	4	30,815	32,392
Liabilities								
Deposits and other borrowings	-	-	4,433	1,748	-	-	4,433	1,748
Derivative financial instruments	5	4	7,722	8,248	-	-	7,727	8,252
Other financial liabilities	676	158	-	-	-	-	676	158
Total	681	162	12,155	9,996	-	-	12,836	10,158

Fair value designation

We designate commercial paper (included in deposits and other borrowings) as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Banking Group's basis of estimating the fair values of financial assets and financial liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

Financial asset and liability	Fair value approach
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Banking Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Banking Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to the Banking Group for that instrument.

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Banking Group's balance sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Banking Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

			Categorised into fair value hierarchy							
	Carrying amount		Quoted market price (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Fair value (total)	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Financial assets										
Net loans and advances	140,756	132,698	-	-	106	133	140,597	133,172	140,703	133,305
Total	140,756	132,698	-	-	106	133	140,597	133,172	140,703	133,305
Financial liabilities										
Deposits and other borrowings	128,706	123,313	-	-	128,726	123,486	-	-	128,726	123,486
Debt issuances	21,502	24,439	2,626	2,637	19,276	22,111	-	-	21,902	24,748
Total	150,208	147,752	2,626	2,637	148,002	145,597	-	-	150,628	148,234

KEY JUDGEMENTS AND ESTIMATES

The Banking Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the Banking Group uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Banking Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Banking Group considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 9 Derivative Financial Instruments) to reflect the Banking Group's assessment of factors that market participants would consider in determining fair value.

17. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard CSA that forms part of the ISDA Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of the Banking Group's covered bond programmes; and
- collateral provided to the RBNZ under the TLF and FLP.

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

	2021 NZ$m	2020 NZ$m
Securities sold under agreements to repurchase[1]	362	646
Residential mortgages pledged as security for repurchase agreements with the RBNZ	1,556	-
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	11,406	11,474

1 The amounts disclosed as securities sold under arrangements to repurchase include both:
- assets pledged as security which continue to be recognised on the Banking Group's balance sheet; and
- assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The Banking Group has received collateral associated with various financial transactions. Under certain arrangements the Banking Group has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that we have sold or repledged is as follows:

	2021 NZ$m	2020 NZ$m
Fair value of assets which can be sold or repledged	610	790
Fair value of assets sold or repledged	565	290

18. OFFSETTING

We offset financial assets and financial liabilities in the balance sheet (in accordance with NZ IAS 32 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

If the above conditions are not met, the financial assets and financial liabilities are presented on a gross basis.

The Banking Group does not have any arrangements that satisfy the conditions necessary to offset financial assets and financial liabilities within the balance sheet. The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over collateralisation.

			Amount subject to master netting agreement or similar			
2021	Total amounts recognised in the balance sheet NZ$m	Amounts not subject to master netting agreement or similar NZ$m	Total NZ$m	Financial instruments NZ$m	Financial collateral (received)/ pledged NZ$m	Net amount NZ$m
Derivative financial instruments[1]	9,304	(1,881)	7,423	(6,050)	(129)	1,244
Reverse repurchase agreements[2]	610	-	610	-	(610)	-
Total financial assets	9,914	(1,881)	8,033	(6,050)	(739)	1,244
Derivative financial instruments	(7,727)	1,250	(6,477)	6,050	81	(346)
Repurchase agreements[3]	(1,663)	-	(1,663)	-	1,663	-
Total financial liabilities	(9,390)	1,250	(8,140)	6,050	1,744	(346)
2020						
Derivative financial instruments	9,702	(3,257)	6,445	(4,462)	(342)	1,641
Reverse repurchase agreements[2]	782	-	782	-	(782)	-
Total financial assets	10,484	(3,257)	7,227	(4,462)	(1,124)	1,641
Derivative financial instruments	(8,252)	2,890	(5,362)	4,462	417	(483)
Repurchase agreements[3]	(646)	-	(646)	-	646	-
Total financial liabilities	(8,898)	2,890	(6,008)	4,462	1,063	(483)

1 In August 2021, the Banking Group amended the terms of its legal agreements with one of its central clearing counterparties whereby payment and receipt of collateral results in a legal settlement of associated derivative assets and liabilities, and an associated reduction in the carrying values of the related derivative instruments. These derivatives remain subject to a master netting agreement. The impact of this change as at 30 September 2021 is a decrease in the derivative assets of NZ$3.9 billion and a decrease in derivative liabilities of NZ$4.1 billion and reduction in net collateral paid of NZ$0.2 billion. Refer to Note 9 Derivative Financial Instruments for further information.

2 Reverse repurchase agreements are presented in the balance sheet within cash and cash equivalents.

3 Repurchase agreements are presented in the balance sheet within deposits and other borrowings.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	2021 NZ$m	2020 NZ$m
Goodwill	3,006	3,006
Management rights	76	76
Software	9	10
Goodwill and other intangible assets	3,091	3,092

GOODWILL AND OTHER INTANGIBLE ASSETS ALLOCATED TO CASH-GENERATING UNITS (CGUs)

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on 1 December 2003, and the carrying amount reflects amortisation recognised before the application of NZ IFRS from 1 October 2004 and subsequent business disposals. Funds management rights, assessed as having indefinite useful lives, arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ Wealth New Zealand Limited) group on 30 November 2009.

Goodwill and funds management rights are allocated to CGUs as follows:

	Goodwill		Management rights	
Cash generating unit	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Personal banking (previously Retail and business banking)	980	893	-	-
Funds management (previously Wealth)	62	118	76	76
Personal segment (previously Retail segment)	1,042	1,011	76	76
Business (previously Commercial)	895	926	-	-
Institutional	1,069	1,069	-	-
Total	3,006	3,006	76	76

Goodwill was assessed for indicators of impairment as at 30 September 2021, taking into account the results of the February 2021 impairment test and associated sensitivity and scenario analysis performed, the forecast impact of the business segment changes outlined in Note 6 Segment Reporting, and recent economic events. There were no indicators of impairment therefore, in accordance with NZ IAS 36 *Impairment of Assets*, no further impairment test was required.

The following information is for the annual goodwill impairment test, and reflects the CGUs and goodwill allocations (which were unchanged from 30 September 2020), as at 28 February 2021.

Annual goodwill impairment test

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCOD) and its value-in use (VIU). We use a value-in-use approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated. Based on this assessment no impairment was identified for any CGU, and therefore a FVLCOD calculation was not required.

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

VALUE-IN-USE

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, the impact of the restriction imposed by the RBNZ on the payment of ordinary dividends by all New Zealand incorporated registered banks, and the implementation of the RBNZ's increased capital requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Input / assumption	Values applied in 28 February 2021 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation period of the RBNZ's increased capital requirements.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2021 to 2023, before returning to long run experience levels for 2024 to 2028. Long run experience levels are based on the Banking Group's bad debts written off, net of recoveries, since 2004 of 0.15% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2024 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2023 forecast inflation from the RBNZ's February 2021 Monetary Policy Statement.
Discount rate	Post tax: 9.4% (September 2020: 9.3%). The main variables in the calculation of the discount rate used are the risk free rate, beta and the market risk premium. The risk free rate was the traded 10 year New Zealand government bond yield as at 28 February 2021 of 1.9%. The market risk premium was estimated using a range of methods incorporating historical and forward-looking market data. Beta was consistent with observable measures applied in the regional banking sector.

The values of the average revenue growth, credit impairment as a percentage of forecast gross loans and advances, and pre-tax discount rates assumptions by CGU are shown in the table below. The implied pre-tax discount rates are significantly higher than the post-tax discount rate above because regulatory capital retention over the forecast period is not tax effected.

	Revenue growth		Credit impairment		Pre-tax discount rate	
Cash generating unit	**28 Feb 21**	**30 Sep 20**	**28 Feb 21**	**30 Sep 20**	**28 Feb 21**	**30 Sep 20**
Retail and business banking	**6.1%**	5.8%	**0.13%**	0.13%	**17.5%**	16.7%
Wealth	**3.4%**	2.7%	**0.10%**	0.01%	**16.4%**	16.0%
Commercial	**4.2%**	4.8%	**0.21%**	0.22%	**17.8%**	17.1%
Institutional	**4.5%**	0.6%	**0.21%**	0.12%	**17.3%**	17.0%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the recoverable amounts of the Retail & business banking and Wealth CGUs to exceed their carrying amounts, but would do so for the Commercial and Institutional CGUs.

A summary of the amounts by which key assumptions for Commercial and Institutional must change in order for their recoverable amounts to equal their carrying amounts is shown below.

	Commercial		Institutional	
	Forecast Value	Change required	Forecast Value	Change required
Amount by which recoverable amount exceeds carrying amount (NZ$m)	513	n/a	386	n/a
Value of assumption and change (in basis points) required to reduce recoverable amount to nil:				
Average annual revenue growth over forecast period	4.2%	-87 bp	4.5%	-113 bp
Average annual credit impairment FY24-FY28	0.21%	+17 bp	0.21%	+73 bp
Discount rate	9.4%	+63 bp	9.4%	+80 bp
Terminal growth rate	2.0%	-106 bp	2.0%	-140 bp

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

Intangible	Goodwill	Software	Management rights
Definition	Excess amount the Banking Group has paid in acquiring a business over the fair value less costs of disposal of the identifiable assets and liabilities acquired.	Purchased software owned by the Banking Group is capitalised. Internal and external costs incurred in building software and computer systems costing more than NZ$20 million are capitalised as assets. Those less than NZ$20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business.
Carrying value	Cost less any accumulated impairment losses. Allocated to the CGU to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights have an indefinite life and are reviewed for impairment at least annually or when there is an indication of impairment.
Amortisation method	Not applicable.	Straight-line method.	Not applicable.

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the the Banking Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19, and reflects expectations of future events that are believed to be reasonable under the circumstances. The rapidly evolving consequences of COVID-19 and government, business and consumer responses create heightened uncertainty in these estimates and any variations could have a positive or adverse impact on the determination of recoverable amounts.

20. OTHER PROVISIONS

	Note	2021 NZ$m	2020 NZ$m
ECL allowance on undrawn facilities	12	122	159
Customer remediation		98	141
Restructuring costs		25	36
Leasehold make good		22	23
Other		28	30
Total other provisions		295	389

Movements in other provisions

	Customer remediation NZ$m	Restructuring costs NZ$m	Leasehold make good NZ$m	Other NZ$m
Balance at start of year	141	36	23	30
New and increased provisions made during the year	26	23	3	1
Provisions used during the year	(60)	(28)	(4)	(3)
Unused amounts reversed during the year	(9)	(6)	-	-
Balance at end of year	98	25	22	28

Customer remediation

Customer remediation includes provisions for expected refunds to customers and other counterparties, remediation project costs and related customer, counterparty and regulatory claims, penalties and litigation outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Banking Group, including the OnePath Life (NZ) Limited separation, or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Leasehold make good

Provisions associated with leased premises where, at the end of a lease, the Banking Group is required to remove any fixtures and fittings installed in the leased property. This obligation arises immediately upon installation. Estimated make good costs are added to the leasehold improvement asset (within premises and equipment) upon installation and amortised over the lease term.

Other

Other provisions comprise various other provisions including losses arising from other legal action, operational issues, and warranties and indemnities provided in connection with various disposals of businesses and assets.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER PROVISIONS (continued)

RECOGNITION AND MEASUREMENT

The Banking Group recognises provisions where there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Banking Group holds provisions for various obligations including customer remediation, restructuring costs, leasehold make good and litigation related claims. These provisions involve judgements regarding the outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, the associated remediation costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice and adjustments are made to the provisions where appropriate.

21. SHAREHOLDERS' EQUITY

	Number of issued shares		NZ$ millions	
	2021	2020	2021	2020
Ordinary shares	6,345,755,498	6,345,755,498	11,588	11,588
Preference shares	300,000,000	300,000,000	300	300
Total share capital	6,645,755,498	6,645,755,498	11,888	11,888

Preference shares

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

The key terms of the preference shares are as follows:

Dividends

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.

Redemption features

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. Under the RBNZ's new capital requirements, from 1 January 2022, the preference shares are subject to a 12.5% reduction in their regulatory capital recognition. As a result, the Bank has determined that a regulatory event has occurred in respect of the preference shares. The occurrence of a regulatory event means that the Bank may choose to redeem the preference shares at its discretion. As at 10 November 2021, no decision has been made on whether the Bank will redeem the preference shares.

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

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Bank, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Preference shares	All preference shares were issued by the Bank to the Immediate Parent Company 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. 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 AT1 capital notes but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.
Reserves:	
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
Investment securities revaluation reserve	Includes the changes in fair value of investment securities together with any tax effect.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

The Banking Group's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of the Banking Group's capital position; and
- ensure that the capital base supports the Banking Group's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group's Internal Capital Adequacy Assessment Process (ICAAP) policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for common equity tier 1, tier 1 and total capital that ensure sufficient capital is maintained to:

- meet minimum prudential requirements imposed by regulators;
- ensure consistency with the Banking Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- support the internal risk capital requirements of the business.

ALCO and its related Capital Management Forum are responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group's ICAAP is subject to independent and periodic review.

Throughout the year, the Banking Group maintained compliance with RBNZ's minimum capital ratios.

REGULATORY ENVIRONMENT

As the Bank is a registered bank in New Zealand, it is primarily regulated by RBNZ under the Reserve Bank of New Zealand Act 1989. The Bank must comply with the minimum regulatory capital requirements, capital ratios and specific reporting levels that RBNZ sets. RBNZ requirements are summarised below:

	Regulatory capital definition	Minimum capital ratios
Common Equity Tier 1 (CET1) capital	Comprises ordinary share capital, retained earnings, and certain accounting reserves. Some amounts (e.g. the value of goodwill) must be deducted to determine the final value of CET1 capital.	CET1 capital divided by total risk weighted assets must be at least 4.5%.
Tier 1 capital	CET1 capital plus additional tier 1 instruments, which comprise high-quality capital and must: • provide a permanent and unrestricted commitment of funds; • be freely available to absorb losses; and provide for fully discretionary capital distributions.	Tier 1 capital divided by total risk weighted assets must be at least 6.0%.
Total capital	Tier 1 plus Tier 2 capital. Tier 2 instruments include some subordinated instruments and accounting reserves that are not included in Tier 1 capital. Some amounts are deducted in determining the value of Tier 2 instruments.	Total capital divided by total risk weighted assets must be at least 8.0%.
Capital buffer	The Capital buffer is actual CET1 capital in excess of any of the minimum capital requirements imposed on the Bank.	Capital buffer divided by total risk weighted assets should be at least 2.5%.

	Reporting levels
Solo consolidated	The registered bank plus subsidiaries which are funded exclusively and wholly owned by the registered bank.
Banking Group	The registered bank's consolidated group.

The Bank measures capital adequacy and reports to RBNZ on a Banking Group basis monthly, and measures capital adequacy on a Solo consolidated basis quarterly. Banking Group and Solo consolidated capital ratios are reported publicly in six-monthly disclosure statements.

22. CAPITAL MANAGEMENT (continued)

CAPITAL ADEQUACY

The following table provides details of the Banking Group's capital ratios at 30 September:

Unaudited	2021 NZ$m	2020 NZ$m
Qualifying capital		
Tier 1		
Shareholder's equity	16,892	15,869
Preference shares included in Additional Tier 1 capital	(300)	(300)
Gross Common Equity Tier 1 capital	16,592	15,569
Deductions	(3,591)	(3,637)
Common Equity Tier 1 capital	13,001	11,932
Additional tier 1 capital	2,752	2,750
Tier 1 capital	15,753	14,682
Tier 2 capital	635	-
Total capital	16,388	14,682
Capital adequacy ratios		
Common Equity Tier 1	13.4%	11.7%
Tier 1	16.2%	14.4%
Tier 2	0.7%	0.0%
Total	16.9%	14.4%
Buffer ratio	8.9%	6.4%
Risk weighted assets	97,177	102,290

23. CONTROLLED ENTITIES

The following table lists the subsidiaries of the Bank. All subsidiaries are 100% owned and incorporated in New Zealand.

ANZ Bank New Zealand Limited	Nature of business Registered bank
ANZ Custodial Services New Zealand Limited	Custodian and nominee
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ National Staff Superannuation Limited	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Securities Limited	Non-operating
ANZ Wealth New Zealand Limited	Holding company
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Investments Nominees Limited	Custodian and nominee
OneAnswer Nominees Limited	Wrap services provider
ANZNZ Covered Bond Trust[1]	Securitisation entity
Arawata Assets Limited	Property
Endeavour Finance Limited	Investment
Kingfisher NZ Trust 2008-1[1]	Securitisation entity

1 The Banking Group does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as the Banking Group retains substantially all the risks and rewards of the operations. Details of the Banking Group's interest in consolidated structured entities is included in Note 24 Structured Entities.

RECOGNITION AND MEASUREMENT

The Banking Group subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Banking Group assesses whether it has power over those entities by examining the Banking Group's existing rights to direct the relevant activities of the entity.

NOTES TO THE FINANCIAL STATEMENTS

24. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Banking Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Banking Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Banking Group uses the Kingfisher NZ Trust 2008-1 (the Kingfisher Trust) to securitise residential mortgages that it has originated, in order to diversify sources of funding for liquidity management. The Kingfisher Trust is an internal securitisation (bankruptcy remote) vehicle we created for the purpose of structuring assets that are eligible for repurchase under agreements with RBNZ (these are known as 'Repo eligible'). The Banking Group is exposed to variable returns from its involvement with the Kingfisher Trust and has the ability to affect those returns through its power over the Kingfisher Trust's activities. The Kingfisher Trust is therefore consolidated. As at 30 September 2021, the Banking Group had entered into repurchase agreements with RBNZ in relation to the TLF and FLP (30 September 2020: nil). Additionally, the Banking Group may acquire interests in securitisation vehicles set up by third parties through providing lending facilities to, or holding securities issued by, such entities.
ANZNZ Covered Bond Trust (the Covered Bond Trust)	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 ANZNZ Covered Bond Trust Limited 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. The Banking Group is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Covered Bond Trust's activities. The Covered Bond Trust is therefore consolidated.
Structured finance arrangements	The Banking Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Banking Group may provide risk management products (derivatives) to the SE. In all instances, the Banking Group does not control these SEs. Further, the Banking Group's involvement does not establish more than a passive interest in decisions about the relevant activities of the SE, and accordingly we do not consider that interest disclosable.
Funds management activities	The Banking Group is the scheme manager for a number of Managed Investment Schemes (MIS). These MIS include the ANZ and OneAnswer branded KiwiSaver, retail and wholesale schemes and the Bonus Bonds Scheme. These MIS are financed through the issue of units to investors and the Banking Group considers them to be SEs. The Banking Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures to the MIS that would allow the Banking Group to control the funds. Therefore, these MIS are not consolidated.

24. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

Financial or other support provided to Consolidated Structured Entities

The Bank provides lending facilities, derivatives and commitments to the Kingfisher Trust and the Covered Bond Trust and/or holds debt instruments that they have issued. The Bank did not provide any non-contractual support to consolidated SEs during the year (2020: nil).

UNCONSOLIDATED STRUCTURED ENTITIES

The Banking Group's interest in Unconsolidated Structured Entities

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Banking Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Banking Group's involvement is not more than a passive interest - for example: when the Banking Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Banking Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Banking Group to market risk (rather than performance risk specific to the SE) or derivatives through which the Banking Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The Banking Group earned funds management fees from its MIS of NZ$205 million (2020: NZ$197 million) during the year. As at 30 September 2021 the Banking Group had total funds under management of NZ$39.0 billion (2020: NZ$35.2 billion) of which NZ$23.2 billion (2020: NZ$21.2 billion) related to its MIS, with the largest individual fund being approximately NZ$4.3 billion (2020: NZ$3.5 billion).

The Banking Group did not provide any non-contractual support to unconsolidated SEs during the year (2020: nil): nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Banking Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Banking Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Banking Group is the major user of that SE; or
- the Banking Group's name appears in the name of that SE, or on its products; or
- the Banking Group provides implicit or explicit guarantees of that SE's performance.

The Bank has sponsored the ANZ PIE Fund, which invests only in deposits with the Bank. The Banking Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Banking Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of that entity; and
- the ability to use its power over the entity to affect the Banking Group's returns.

NOTES TO THE FINANCIAL STATEMENTS

25. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Banking Group enters into transactions where it transfers financial assets directly to third parties. These transfers may give rise to the Banking Group fully, or partially, derecognising those financial assets - depending on the Banking Group's exposure to the risks and rewards or control over the transferred assets. If the Banking Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Banking Group's balance sheet in its entirety.

Covered bonds

The Banking Group operates a covered bond programme to raise funding. Refer to Note 24 Structured Entities for further details. The covered bonds issued externally are included within debt issuances.

Repurchase agreements

When the Banking Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Covered bonds		Repurchase agreements	
	2021 NZ$m	2020 NZ$m	2021 NZ$m	2020 NZ$m
Current carrying amount of assets transferred	11,406	11,474	1,918	650
Carrying amount of associated liabilities	4,248	4,522	1,663	646

26. RELATED PARTY DISCLOSURES

Key management personnel and their related parties

Key management personnel (KMP) are defined as directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Banking Group. Executive roles included in KMP are the Bank's Chief Executive Officer (CEO), all executives reporting directly to the Bank's CEO, and the CEO – NZ Branch.

Key management personnel compensation[1]	2021 NZ$000	2020 NZ$000
Salaries and short-term employee benefits	**11,256**	10,521
Post-employment benefits	**192**	256
Other long-term benefits[2]	**68**	107
Termination benefits[3]	**1,308**	1,155
Share-based payments	**2,395**	2,679
Total	**15,219**	14,718

1 Includes former disclosed KMPs until the end of their employment, and close family members of KMP employed by the Banking Group. Comparative amounts have been updated to include amounts for close family members of KMP that were previously shown separately.
2 Comprises long service leave accrued during the year.
3 Includes payments for accrued annual leave, long service leave and pay in lieu of notice in accordance with contract, payable on cessation.

Transactions and balances with key management personnel and their related parties[1]	2021 NZ$m	2020 NZ$m
Secured loans and advances	**26**	22
Credit related commitments (undrawn loan facilities)	**3**	3
Interest income	**1**	1
Customer deposits[2]	**19**	17
Payables and other liabilities (share-based payments liability)	**2**	2

1 Includes KMP, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members, of the Banking Group and its parent companies.
2 Includes holdings of units in the ANZ PIE Fund (a sponsored unconsolidated structured entity) which are invested solely in deposits of the Bank.

Loans made to KMP and their related parties are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off or forgiven, or individually assessed allowances for expected credit losses raised in respect of these balances (2020: nil).

All other transactions with KMP and their related parties are made on terms and conditions no more favourable than those given to other employees or customers. These transactions generally involve the provision of financial and investment services. In addition to the amounts above:

- Aggregate amounts for each of unsecured loans and advances, interest expense, fee income, debt issuances and collectively assessed credit impairment charge and allowance for expected credit losses were less than NZ$1 million for both years presented.
- KMP and their related parties also hold units in MIS managed by the Banking Group. Transactions and balances in respect of these MIS holdings are not disclosed because those MIS are unconsolidated structured entities and not included in the financial statements of the Banking Group.
- Some KMP pay the Banking Group for the use of carparks in premises owned or leased by the Banking Group. These amounts were less than NZ$0.1 million (2020: less than NZ$0.1 million).

Transactions with other members of the Overseas Banking Group and associates

The Bank and Banking Group undertake transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the Overseas Banking Group and associates.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to Banking Group employees. Other than noted on the following page, transactions with related parties outside of the Banking Group are conducted on an arm's length basis and on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES (continued)

Transactions	2021 NZ$m	2020 NZ$m
Immediate Parent Company		
Dividends paid	908	9
Ultimate Parent Bank and other subsidiaries not part of the Banking Group		
Interest income	2	13
Interest expense	103	115
Other operating income	16	19
Operating expenses	120	97
Mortgages sold to the NZ Branch	130	-
Mortgages repurchased from the NZ Branch	17	371
Associates		
Operating expenses	2	1

Outstanding balances	2021 NZ$m	2020 NZ$m
Immediate Parent Company		
Derivative financial instruments	-	3
Ultimate Parent Bank and other subsidiaries not part of the Banking Group		
Cash and cash equivalents	152	166
Derivative financial instruments	5,352	2,849
Other assets	41	48
Total due from related parties	5,545	3,066
Immediate Parent Company		
Deposits and other borrowings	28	11
Derivative financial instruments	1	-
Ultimate Parent Bank and subsidiaries not part of the Banking Group		
Settlement balances payable	129	85
Collateral received	242	-
Deposits and other borrowings	85	173
Derivative financial instruments	5,018	2,877
Payables and other liabilities	32	31
Debt issuances	1,942	1,972
Associates		
Deposits and other borrowings	1	1
Total due to related parties	7,478	5,150

Balances due from / to other members of the Overseas Banking Group and associates are unsecured. The Bank has provided guarantees and commitments to, and received guarantees from, these entities as follows.

	2021 NZ$m	2020 NZ$m
Financial guarantees provided by the Ultimate Parent Bank	219	264
Financial guarantees provided to the Ultimate Parent Bank	100	123
Undrawn credit commitments provided to the Immediate Parent Company	250	250
Undrawn credit commitments provided to associates	1	1

27. COMMITMENTS AND CONTINGENT LIABILITIES

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2021 NZ$m	2020 NZ$m
Contract amount of:		
Undrawn facilities	27,420	28,273
Guarantees and letters of credit	1,181	1,309
Performance related contingencies	1,551	1,434
Total	30,152	31,016

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Banking Group may be required to pay, the full amount of undrawn facilities mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Banking Group has entered into as principal – including: guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Banking Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Banking Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Banking Group may be required to pay, the full amount of total guarantees and letters of credit and performance related contingencies mature within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 (refer to Note 20 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of the Banking Group.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Banking Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in New Zealand and globally. 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. The nature of these interactions can be wide ranging and, for example, may include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

The Bank self-identified three prescribed transaction reporting (PTR) matters to the RBNZ, where transaction reports had not been filed within the prescribed timeframe. The RBNZ has informed the Bank that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009 relating to PTR. These matters have been referred to the RBNZ's enforcement team for review. The potential outcome of these matters remains uncertain at this time.

LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations.

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.

REVIEWS UNDER SECTION 95 OF THE RESERVE BANK OF NEW ZEALAND ACT 1989 (RBNZ ACT)

Following a RBNZ notice under section 95 of the RBNZ Act in July 2019, the Bank obtained two external reviews (together, the *Reviews*). The first review was on the Bank's compliance with certain aspects of the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) *(Capital Adequacy Review)*, and the second review was on the effectiveness of the Bank's directors' attestation and assurance framework *(Attestation Review).*

The Bank is committed to implementing the recommendations and addressing the issues raised by the Reviews, including a broader programme of improving the Bank's processes covered by those Reviews.

In mid-2021, the Bank obtained external interim reviews of the remediation activities being undertaken in respect of the Reviews. The external reviewer reported that the Bank has made significant progress to address non-compliance issues and improvement areas identified by the Reviews.

The programme of work for the Attestation Review has been completed. The final external review of the remediation activities for the Attestation Review is expected to be completed in December 2021.

The programme of work for the Capital Adequacy Review is expected to be completed in December 2021. The final external review of the remediation activities for the Capital Adequacy Review is underway.

28. COMPENSATION OF AUDITORS

	2021 NZ$000	2020 NZ$000
KPMG New Zealand		
Audit or review of financial statements[1]	2,173	1,953
Audit related services:		
Prudential and regulatory services[2]	333	308
Offer documents assurance or review	117	94
Other assurance services[3]	47	116
Total audit related services	497	518
Total compensation of auditors relating to the Banking Group	2,670	2,471
Fees related to certain managed funds not recharged[4]	244	222
Total compensation of auditors	2,914	2,693

1 Includes fees for both the audit of annual financial statements and reviews of interim financial statements.
2 Includes fees for reviews and controls reports required by regulations.
3 Includes fees for other reviews and agreed upon procedures engagements.
4 Amounts relate to the ANZ PIE Fund, ANZ Investments Private Scheme and SIL Mutual Funds, and include fees for audits of annual financial statements, registry audits, supervisor reporting and other agreed upon procedures engagements. Comparative information has been updated to include amounts relating to the SIL Mutual Funds.

The Banking Group's Policy allows KPMG New Zealand to provide assurance and other audit related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as RBNZ. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG New Zealand may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

B1. GENERAL DISCLOSURES (UNAUDITED)

Details of ultimate parent bank and ultimate holding company

The ultimate parent bank and ultimate holding company of the Bank is Australia and New Zealand Banking Group Limited (Ultimate Parent Bank). The address for service of the Ultimate Parent Bank is ANZ Centre, Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Restrictions on the Ultimate Parent Bank's ability to provide financial support

Effect of APRA's Prudential Standards

The Banking Group is subject to extensive prudential regulation by APRA. APRA's current or future requirements may have an adverse effect on the Bank's business, results of operations, liquidity, capital resources or financial condition.

APRA Prudential Standard APS 222 *Associations with Related Entities* (APS 222) sets minimum requirements for authorised deposit-taking institutions (ADIs) in Australia, including the Ultimate Parent Bank, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS 222, the Ultimate Parent Bank's ability to provide financial support to the Bank is subject to the following restrictions:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank must not hold unlimited exposures (i.e. should be limited as to specified time or amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank must not enter into cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default by the Ultimate Parent Bank on its obligations; and
- the level of exposure, net of exposures deducted from capital, of the Ultimate Parent Bank's Level 1 total capital base to the Bank should not exceed: (A) 50% on an individual exposure basis; or (B) 150% in aggregate (being exposures to all similar regulated ADI equivalent entities related to the Ultimate Parent Bank).

In December 2020, APRA amended APS222 to reduce the limits for Australian ADIs' individual entity exposure to related ADIs (or overseas equivalents) from 50% of Level 1 total capital to 25% of Level 1 Tier 1 capital, and aggregate exposures from 150% of Level 1 total capital to 75% of Level 1 Tier 1 capital. These changes are effective from 1 January 2022. As exposures are measured net of capital deductions, the changes to APS111 *Capital Adequacy: Measurement of Capital* (APS111) outlined below will affect the measurement of ADI exposures.

In September 2021, APRA amended APS111. The most material change is in relation to the treatment of capital investments for each banking and insurance subsidiary at Level 1, with the tangible component of the investment changing from a 400% risk weighting to:

- 250% risk weighting up to an amount equal to 10% of the Ultimate Parent Bank's net Level 1 Common Equity Tier 1 (CET1) capital; and
- the remainder of the investment will be treated as a CET1 capital deduction.

Until the new APS111 is implemented from 1 January 2022, APRA requires any new or additional equity investments in banking and insurance subsidiaries, where the amount of that new or additional investments takes the aggregate value of the investment above 10 per cent of an ADI's CET1 capital, to be fully funded by equity capital at the ADI parent company level. This treatment would apply to the proportion of the new or additional investment that is above 10 per cent of an ADI's CET1 capital.

The Ultimate Parent Bank continues to review the implications for its current investments. The net impact on the Overseas Banking Group is unclear and will depend upon a number of factors including the capitalisation of the affected subsidiaries at the time of implementation and the effect of management actions being pursued that have the potential to materially offset the impact of these proposals. Based on the Ultimate Parent Bank's current investment as at 30 September 2021 in its affected subsidiaries and in the absence of any offsetting management actions, the above proposals imply a reduction in the Ultimate Parent Bank's Level 1 CET1 capital of up to approximately AUD 2 billion (~60 basis points). There would be no impact on the Overseas Banking Group's Level 2 CET1 capital ratio arising from these proposed changes. In addition, since 1 January 2021, no more than 5% of the Ultimate Parent Bank's Level 1 Tier 1 capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as the Banking Group and the New Zealand Branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the Bank during times of financial stress.

APRA has also confirmed that contingent funding support by the Ultimate Parent Bank to the Bank during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding.

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on 1 July 2017. This framework also requires that the Ultimate Parent Bank must limit its financial and operational exposures to subsidiaries (including the Bank).

In determining the acceptable level of exposure to a subsidiary, the Board of the Ultimate Parent Bank should have regard to:

- the exposures that would be approved for third parties of broadly equivalent credit status;
- the potential impact on the Ultimate Parent Bank's capital and liquidity positions; and
- the Ultimate Parent Bank's ability to continue operating in the event of a failure by the Bank.

These requirements are not expected to place additional restrictions on the Ultimate Parent Bank's ability to provide financial or operational support to the Bank.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Other APRA powers

The Ultimate Parent Bank may not provide financial support in breach of the Australian Banking Act 1959 (the Banking Act). Under the Banking Act:

- APRA must exercise its powers and functions for the protection of a bank's depositors in Australia and for the promotion of financial system stability in Australia; and
- in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia are to be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The requirements of the Banking Act and the exercise by APRA of its powers have the potential to impact the management of the liquidity of the Bank.

Interests in 5% or more of voting securities of the Bank

The Immediate Parent Company holds 100% of the voting securities of the Bank. The Immediate Parent Company has the direct ability to appoint 100% of the Directors of the Bank, subject to RBNZ advising that it has no objection to the appointment in accordance with the Bank's conditions of registration. RBNZ also has the power under section 113B of the Reserve Bank of New Zealand Act 1989, after obtaining the consent of the Minister of Finance, to remove, replace, or appoint directors in certain circumstances.

Priority of creditors' claims

In the event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank.

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 34 for further details, and to page 52 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 10 November 2021.

Auditors

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

Directors

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Transactions with Directors

No Director has disclosed that he/she or any immediate relative or professional associate has any dealing with the Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties as a Director of the Bank.

Board Audit Committee

There is a Board Audit Committee which covers audit matters. The committee has five members. Each member is a non-executive Director, and each satisfy the criteria for independence.

Policy of the Board of Directors for avoiding or dealing with conflicts of interest

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the Board has adopted a protocol setting out the procedures for Directors to follow to disclose and manage conflicts of interest. This protocol will be reviewed annually. In addition:

- at least once in each year, Directors are requested to confirm and disclose, in terms of section 140(1) of the Companies Act 1993, any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.
- Directors are also requested to confirm and make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993.

In addition to the disclosures referred to above, Directors disclose relevant interests which they have before discussion of particular business items. Disclosures are entered into the Bank's Interests Register. The Companies Act 1993 allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. However, under the protocol the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)



	Rt Hon Sir John Key, GNZM AC	Antonia Watson	Maile Carnegie
Position	Independent Non-Executive Director and Chair	Chief Executive Officer and Director	Non-Executive Director
Occupation	Company Director	Chief Executive Officer New Zealand and Group Executive	Group Executive, Digital and Australia Transformation, Australia and New Zealand Banking Group Ltd
Qualifications	BCom, DCom (Honoris Causa)	BCom (Hons), GAICD	BBA
Resides	Auckland, New Zealand	Auckland, New Zealand	Sydney, Australia
Other company directorships	Australia and New Zealand Banking Group Ltd, Dairy Investment Fund Ltd, Kyro Capital Ltd, Palo Alto Networks Inc, Sashimi Holdings Ltd, Thirty Eight JK Ltd	ANZ Holdings (New Zealand) Ltd, Banking Ombudsman Scheme Ltd, Mehek Holdings Ltd	



	Shayne Elliott	Alison Gerry	Scott St John
Position	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Occupation	Chief Executive Officer, Australia and New Zealand Banking Group Ltd	Company Director	Company Director
Qualifications	BCom	BMS (Hons), MAppFin, CFInstD	BCom, Diploma of Business
Resides	Melbourne, Australia	Queenstown, New Zealand	Auckland, New Zealand
Other company directorships	Australia and New Zealand Banking Group Ltd, Financial Markets Foundation for Children	Air New Zealand Ltd, Asteron Life Ltd, Glendora Avocados Ltd, Glendora Holdings Ltd, Infratil Ltd, On Being Bold Ltd, Sharesies Ltd, Sharesies AU Group Ltd, Sharesies Group Ltd, Sharesies Investment Management Ltd, Sharesies Nominee Ltd, Vero Insurance New Zealand Ltd, Vero Liability Insurance Ltd	Captain Cook Nominees Ltd, Fisher & Paykel Healthcare Corporation Ltd, Fisher & Paykel Healthcare Employee Share Purchase Trustee Ltd, Fonterra Co-operative Group Ltd, Hutton Wilson Nominees Ltd, Mercury NZ Limited, Te Awanga Terraces Ltd


	Mark Verbiest	Joan Withers
Position	Independent Non-Executive Director	Independent Non-Executive Director
Occupation	Company Director	Company Director
Qualifications	LLB, CFInstD	MBA, CFInstD
Resides	Wanaka, New Zealand	Auckland, New Zealand
Other company directorships	Bear Fund NZ Ltd, Freightways Ltd, Summerset Group Holdings Ltd, Summerset Lti Trustee Ltd, Meridian Energy Ltd	On Being Bold Ltd, Origin Energy Ltd, Sky Network Television Ltd, The Warehouse Group Ltd, The Warehouse Planit Trustees Ltd, The Warehouse Management Trustee Company Ltd, The Warehouse Management Trustee Company No.2 Ltd

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Conditions of registration

The following conditions of registration were applicable as at 30 September 2021, and have applied from 1 July 2021.

The registration of ANZ Bank New Zealand Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

(a) the Total capital ratio of the banking group is not less than 8%;

(b) the Tier 1 capital ratio of the banking group is not less than 6%;

(c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

(d) the Total capital of the banking group is not less than $30 million;

(e) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and

(f) the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration, —

"supervisory adjustment" referred to in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 is calculated as the scalar times the sum of:

(a) the greater of:
i. 27.66 percent of the exposure-at-default (EAD) amount of non-defaulted standard residential mortgage loans less the risk-weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted standard residential mortgage loans; and
ii. zero;

and

(b) the greater of:
i. 75.47 percent of the exposure-at-default (EAD) amount of non-defaulted corporate farm lending exposures less the risk-weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted corporate farm lending exposures; and
ii. zero;

"standard residential mortgage loan" has the same meaning as in 4.7(a) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B), dated November 2015;

"corporate farm lending exposures" has the same meaning as in 4.4(c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015;

the scalar referred to in the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 and elsewhere in this condition of registration is 1.06;

"Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" has the same meaning as in Part 9 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 2.13(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection 2.16(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 or subsection B3.2(2)(a) or (c) of the Reserve Bank of New Zealand document "BPR110: Capital Definitions";

"Total capital" has the same meaning as in Part 2 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 except that the amount of Tier 2 capital included in the calculation of total capital must include the value of any Tier 2 capital instrument meeting the definition given in this condition of registration;

"Total capital ratio" has the same meaning as in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 except that in the formula for calculating "total capital ratio", the value of "total capital" is as defined in this condition of registration, and the term "total capital requirement for operational risk" has the same meaning as in Part 9 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

the Reserve Bank of New Zealand document "BPR001: Glossary" provides definitions for the defined terms highlighted in the Reserve Bank of New Zealand document "BPR110: Capital Definitions".

1A. That—

(a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

1B. That the bank complies with the minimum requirements set out in the following sections of the Reserve Bank of New Zealand document “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015:

(a) the model approval requirements in section 1.3A;

(b) the compendium requirements in section 1.3B;

(c) the minimum requirements for the IRB approach in sections 4.217 to 4.324 (that is, Subpart 4C of BS2B); and

(d) the minimum qualitative requirements for using the Advanced Measurement Approach (“AMA”) for operational risk set out in section 8.4(a) and sections 8.5 to 8.14.

1C. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:

(a) according to the following table, limit the aggregate distributions of the bank’s earnings to the percentage limit on distributions that corresponds to the banking group’s buffer ratio:

Banking group's buffer ratio	Percentage limit on distributions of the bank's earnings
0% - 0.625%	0%
>0.625 - 1.25%	20%
>1.25 - 1.875%	40%
>1.875 - 2.5%	50%

(b) prepare a capital plan to restore the banking group’s buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration,—

“buffer ratio”, “distributions”, and “earnings” have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015, except that in the formula for calculating the buffer ratio, the term “total capital requirement for operational risk” has the same meaning as in Part 9 of the Reserve Bank of New Zealand document “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated November 2015;

the scalar referred to in the Reserve Bank of New Zealand document “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015 is 1.06.

1D. That, if the buffer ratio of the banking group is more than 2.5%, the bank must limit aggregate distributions, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to no more than 50% of the bank’s earnings.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 2.13(a) or (c) of the Reserve Bank of New Zealand document “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015;

“buffer ratio”, “distributions” and “earnings” have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015, except that in the formula for calculating the buffer ratio, the term “total capital requirement for operational risk” has the same meaning as in Part 9 of the Reserve Bank of New Zealand document “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated November 2015;

the scalar referred to in the Reserve Bank of New Zealand document “Capital Adequacy Framework (Internal Models Based Approach)” (BS2B) dated November 2015 is 1.06;

the bank must not make any individual dividend payment contributing to aggregate distributions for a financial year until it has completed its interim financial accounts for the first six months of its financial year or its annual financial accounts for its full financial year, and must not make any such dividend payment less than six months after any previous such dividend payment.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.

3. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group’s insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity’s insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group’s insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance:

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank[1]	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

[1] This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated November 2015.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:
   (a) the board of the bank must have at least five directors;
   (b) the majority of the board members must be non-executive directors;
   (c) at least half of the board members must be independent directors;
   (d) an alternate director,—
      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;
   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   (f) the chairperson of the board of the bank must be independent; and
   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:

(a) that the bank's clearing and settlement obligations due on a day can be met on that day;

(b) that the bank's financial risk positions on a day can be identified on that day;

(c) that the bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

(d) that the bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

This condition ceases to apply in respect of an existing outsourcing arrangement on the earlier of either 1 October 2023 or when the existing outsourcing arrangement becomes compliant with condition 21, from which point in time condition 21 will apply to that outsourcing arrangement.

For the purposes of this condition of registration:

(a) the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006; and

(b) the term "existing outsourcing arrangement" is defined in the Reserve Bank of New Zealand document entitled "Outsourcing Policy (BS11)" dated April 2020.

12. That:

(a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;

(b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and

(c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

(c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and

(d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a *de minimis* to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "*de minimis*", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That the bank has an Implementation Plan that—

(a) is up-to-date; and

(b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated September 2013.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

19. That the bank has a compendium of liabilities that—

(a) at the product-class level lists all liabilities, indicating which are—

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

21. That the bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated April 2020.

22. That, for a loan-to-valuation measurement period ending on or before 30 June 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

23. That, for a loan-to-valuation measurement period ending on or after 31 July 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

24. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

25. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"banking group" means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 22 to 25,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019:

"loan-to-valuation measurement period" means—

(a) the three calendar month period ending on the last day of May 2021; and

(b) thereafter a period of three calendar months ending on the last day of the third calendar month, the first of which ends on the last day of June 2021.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Changes since 30 September 2021

The Bank's conditions of registration have been amended to:

- implement the new Banking Prudential Regulations (BPRs) which implement the capital review decisions (effective 1 October 2021); and
- include further changes on high loan-to-valuation residential mortgage lending to investors (effective 1 November 2021).

Outcome of the RBNZ liquidity thematic review

The RBNZ published a report in September 2021 outlining the findings from the thematic review of compliance with the RBNZ's liquidity policy (BS13 and BS13A). The ten largest New Zealand-incorporated banks, including the Bank, were required to develop a remediation plan to address the findings set out in individual feedback letters and conduct a materiality assessment of the impact of certain quantitative findings on the liquidity ratios. The Bank has provided the RBNZ with a remediation plan to address the individual feedback the Bank received and undertaken the required materiality assessment. The Bank continues to work with the RBNZ on the findings of the thematic review.

Material non-compliance with conditions of registration: Condition of registration 1B – non-compliance with BS2B

As first reported in the disclosure statement for the year ended 30 September 2019, the Bank has not complied with condition of registration 1B in relation to the implementation of changes to 17 rating models and processes that were not approved by the RBNZ. Applying the last RBNZ approved methodologies to the affected exposures as at 30 September 2019 would have decreased Risk Weighted Assets (RWA) by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

As at 30 September 2021, 16 of these models had been submitted to the RBNZ for approval, with four of these approved. Nine models were approved in October 2021. The final model is expected to be submitted before the end of 2021. The four remaining unapproved models and the initial dates of non-compliance are:

- Bank rating – 2008 (submitted to RBNZ)
- Project and structured finance - 2009 (submitted to RBNZ)
- Commercial property: hotels - 2011 (submitted to RBNZ)
- Commercial property: special purpose asset investment - 2011 (to be submitted)

The Bank's model compendium required under section 1.3B of BS2B was found to be non-compliant as it included unapproved model changes. An updated model compendium was submitted to the RBNZ in April 2021, and is now compliant.

Other matters relevant to the conditions of registration

There are other matters currently under review where there may be more than one valid interpretation of the respective policy wording or requirement. Where there may be some uncertainty about the interpretation the Bank has applied, where appropriate it has sought guidance from, and will be liaising with, the RBNZ on these matters.

Other material matters

New RBNZ capital requirements

The RBNZ has released new bank capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in the RBNZ's Banking Prudential Requirements documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements are:

- The Banking Group's total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. The increased capital ratios requirement will be implemented progressively from 1 July 2022 to 1 July 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer, which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing; and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 2021, the Bank had approximately NZ$2,741 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over a six and a half year transition period from 1 January 2022 to 1 July 2028.
- As an internal ratings based approach accredited bank, the Banking Group's RWA outcomes will be increased to approximately 90% of what would be calculated under the standardised approach. This will be achieved by applying an 85% output floor from 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.
- The Banking Group will be required to report RWA, and resulting capital ratios, using both the internal models and the standardised approaches from 30 September 2022.

The RBNZ's reforms will result in a material increase in the level of capital that the Banking Group is required to hold. The reforms could have a material impact on the Banking Group and its business, including on its capital allocation and business planning.

Since 30 September 2018, CET1 capital has increased by NZ$3.9 billion to NZ$13.0 billion at 30 September 2021 and total capital has increased by NZ$4.5 billion to NZ$16.4 billion, in preparation for these changes and due to the RBNZ's COVID-19 related dividend restrictions.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Credit rating

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.

Fitch Ratings changed the rating on the Bank from AA- to A+ on 7 April 2020. S&P Global Ratings changed the outlook on the Bank from Stable to Negative on 8 April 2020. Fitch Ratings changed the outlook on the Bank from Negative to Stable on 12 April 2021. S&P Global Ratings changed the outlook on the Bank from Negative to Stable on 7 June 2021.

As at 10 November 2021, the Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Stable
Fitch Ratings	A+	Outlook Stable
Moody's Investors Service	A1	Outlook Stable

The following table describes the credit rating grades available. The descriptions are from S&P Global Ratings. Credit ratings from S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

	S&P Global Ratings	Moody's Investors Service	Fitch Ratings
Investment grade:			
Extremely strong capacity to meet financial commitments. Highest rating.	AAA	Aaa	AAA
Very strong capacity to meet financial commitments.	AA	Aa	AA
Strong ability to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.	A	A	A
Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.	BBB	Baa	BBB
Speculative grade:			
Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.	BB	Ba	BB
More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.	B	B	B
Currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments.	CCC	Caa	CCC
Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty.	CC to C	Ca	CC to C
Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed or similar action taken.	D	C	RD & D

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Historical summary of financial statements

Income statement

For the year ended 30 September	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m	2017 NZ$m
Interest income	4,600	5,568	6,423	6,390	6,198
Interest expense	(1,176)	(2,306)	(3,179)	(3,240)	(3,161)
Net interest income	3,424	3,262	3,244	3,150	3,037
Non-interest income	765	807	946	1,126	938
Operating income	4,189	4,069	4,190	4,276	3,975
Operating expenses	(1,621)	(1,752)	(1,608)	(1,517)	(1,468)
Credit impairment charge	114	(403)	(101)	(55)	(62)
Profit before income tax	2,682	1,914	2,481	2,704	2,445
Income tax expense	(743)	(541)	(662)	(751)	(680)
Profit after income tax	1,939	1,373	1,819	1,953	1,765

Balance sheet

As at 30 September	2021 NZ$m	2020 NZ$m	2019 NZ$m	2018 NZ$m	2017 NZ$m
Total assets	184,769	179,744	169,416	159,012	153,973
Total individually impaired assets	155	361	285	321	357
Total impaired assets (i.e. Stage 3)	773	1,169	729	n/a	n/a
Total liabilities	167,877	163,875	154,986	145,903	141,192
Equity	16,892	15,869	14,430	13,109	12,781
Other items included in Equity					
Dividends paid	(908)	(9)	(411)	(4,611)	(1,695)
Share capital issued	-	-	-	3,000	-

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

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 27 Commitments and Contingent Liabilities.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

	2021 NZ$m	2020 NZ$m
Total interest earning and discount bearing assets	170,849	165,332
Total interest and discount bearing liabilities	136,312	136,036

Additional information on interest rate sensitivity

The following table represents 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.

2021	Total NZ$m	Up to 3 months NZ$m	Over 3 to 6 months NZ$m	Over 6 to 12 months NZ$m	Over 1 to 2 years NZ$m	Over 2 years NZ$m	Not bearing interest[1] NZ$m
Assets							
Cash and cash equivalents	7,844	7,523	-	-	-	-	321
Settlement balances receivable	237	-	-	-	-	-	237
Collateral paid	537	537	-	-	-	-	-
Trading securities	9,585	1,027	907	342	1,765	5,544	-
Derivative financial instruments	9,304	-	-	-	-	-	9,304
Investment securities	11,926	174	219	272	2,257	9,003	1
Net loans and advances	140,756	62,443	14,684	35,409	17,554	11,189	(523)
Other financial assets	496	-	-	-	-	-	496
Total financial assets	180,685	71,704	15,810	36,023	21,576	25,736	9,836
Liabilities							
Settlement balances payable	2,704	1,808	-	-	-	-	896
Collateral received	738	738	-	-	-	-	-
Deposits and other borrowings	133,139	85,087	12,621	11,206	1,544	868	21,813
Derivative financial instruments	7,727	-	-	-	-	-	7,727
Debt issuances	21,502	2,149	4,129	224	3,452	11,548	-
Lease liabilities	262	12	12	24	86	128	-
Other financial liabilities	986	676	-	-	-	-	310
Total financial liabilities	167,058	90,470	16,762	11,454	5,082	12,544	30,746
Hedging instruments	-	19,046	(5,944)	(4,500)	(9,755)	1,153	-
Interest sensitivity gap	13,627	280	(6,896)	20,069	6,739	14,345	(20,910)

1 Excludes non-coupon bearing discounted financial assets and financial liabilities which are shown as repricing on their maturity date.

Reconciliation of mortgage related amounts

As at 30 September 2021	Note	NZ$m
Term loans - housing[1]	11	98,513
Less: fair value hedging adjustment		(2)
Less: housing loans made to corporate customers		(1,433)
On-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	97,078
Add: off-balance sheet residential mortgage exposures subject to the IRB approach (per asset quality and LVR analysis)	B3, B4	9,081
Total residential mortgage exposures subject to the IRB approach (per LVR analysis)	B4	106,159

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

B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements relating to COVID-19 and ECL included in Note 1, Note 12 and Note 15 to the financial statements.

Movements in components of loss allowance – total

			Stage 3		
Net loans and advances - total	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2020	162	347	79	106	694
Transfer between stages	16	(14)	(2)	-	-
New and increased provisions (net of collective provision releases)	(23)	(19)	(21)	67	4
Write-backs	-	-	-	(63)	(63)
Recoveries of amounts previously written off	-	-	-	(18)	(18)
Credit impairment charge	(7)	(33)	(23)	(14)	(77)
Bad debts written-off (excluding recoveries)	-	-	-	(47)	(47)
Add back recoveries of amounts previously written off	-	-	-	18	18
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2021	155	314	56	60	585
Off-balance sheet credit related commitments - total					
As at 1 October 2020	79	55	3	22	159
Transfer between stages	3	(4)	1	-	-
New and increased provisions (net of collective provision releases)	(18)	(12)	-	(7)	(37)
Credit impairment charge	(15)	(16)	1	(7)	(37)
As at 30 September 2021	64	39	4	15	122

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

Gross loans and advances - total	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
As at 1 October 2020	120,110	11,820	808	361	133,099
Net transfers in to each stage	3,329	-	25	8	3,362
Amounts drawn from new or existing facilities	45,399	1,138	86	139	46,762
Additions	48,728	1,138	111	147	50,124
Net transfers out of each stage	(2)	(3,231)	(17)	(112)	(3,362)
Amounts repaid	(34,843)	(3,526)	(284)	(194)	(38,847)
Deletions	(34,845)	(6,757)	(301)	(306)	(42,209)
Amounts written off	-	-	-	(47)	(47)
As at 30 September 2021	133,993	6,201	618	155	140,967
Loss allowance as at 30 September 2021	155	314	56	60	585
Off-balance sheet credit related commitments - total					
As at 1 October 2020	29,501	1,455	19	41	31,016
Net transfers in to each stage	28	-	11	1	40
New and increased facilities and drawn amounts repaid	8,796	314	12	1	9,123
Additions	8,824	314	23	2	9,163
Net transfers out of each stage	(9)	(31)	-	-	(40)
Reduced facilities and amounts drawn	(9,498)	(459)	(10)	(20)	(9,987)
Deletions	(9,507)	(490)	(10)	(20)	(10,027)
As at 30 September 2021	28,818	1,279	32	23	30,152
Loss allowance as at 30 September 2021	64	39	4	15	122

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

Overall, loss allowances are 0.41% of gross balances as at 30 September 2021, down from 0.52% as at 30 September 2020. The NZ$146 million (17.1%) decrease in loss allowances was driven by a decrease in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward-looking economic scenarios as described in Note 12 Allowance for Expected Credit Losses.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

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 2019	164	194	42	97	497
Transfer between stages	25	(30)	4	1	-
New and increased provisions (net of collective provision releases)	(2)	206	34	157	395
Write-backs	-	-	-	(34)	(34)
Recoveries of amounts previously written off	-	-	-	(23)	(23)
Credit impairment charge	23	176	38	101	338
Bad debts written-off (excluding recoveries)	-	-	-	(92)	(92)
Add back recoveries of amounts previously written off	-	-	-	23	23
Discount unwind	-	-	-	(9)	(9)
Sale of UDC	(25)	(23)	(1)	(14)	(63)
As at 30 September 2020	162	347	79	106	694

Off-balance sheet credit related commitments - 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 2019	60	24	2	11	97
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	17	36	1	11	65
Credit impairment charge	20	33	1	11	65
Sale of UDC	(1)	(2)	-	-	(3)
As at 30 September 2020	79	55	3	22	159

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 2019	123,285	9,008	444	285	133,022
Net transfers in to each stage	12	4,503	472	210	5,197
Amounts drawn from new or existing facilities	34,287	1,375	120	191	35,973
Additions	34,299	5,878	592	401	41,170
Net transfers out of each stage	(5,152)	(45)	-	-	(5,197)
Amounts repaid	(29,444)	(2,574)	(225)	(212)	(32,455)
Deletions	(34,596)	(2,619)	(225)	(212)	(37,652)
Amounts written off	-	-	-	(92)	(92)
Sale of UDC	(2,878)	(447)	(3)	(21)	(3,349)
As at 30 September 2020	120,110	11,820	808	361	133,099
Loss allowance as at 30 September 2020	162	347	79	106	694

Off-balance sheet credit related commitments - 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 2019	28,491	837	3	19	29,350
Net transfers in to each stage	3	387	7	7	404
New and increased facilities and drawn amounts repaid	9,272	600	16	25	9,913
Additions	9,275	987	23	32	10,317
Net transfers out of each stage	(398)	(6)	-	-	(404)
Reduced facilities and amounts drawn	(7,489)	(198)	(7)	(10)	(7,704)
Deletions	(7,887)	(204)	(7)	(10)	(8,108)
Sale of UDC	(378)	(165)	-	-	(543)
As at 30 September 2020	29,501	1,455	19	41	31,016
Loss allowance as at 30 September 2020	79	55	3	22	159

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

Overall, loss allowances are 0.52% of gross balances as at 30 September 2020, up from 0.37% as at 30 September 2019. The NZ$259 million (43.6%) increase in loss allowances was driven by an increase in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward-looking economic scenarios and changes in probability weightings.

B3. ASSET QUALITY (continued)

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 2020	20	63	29	8	120
Transfer between stages	6	(5)	(1)	-	-
New and increased provisions (net of collective provision releases)	(3)	(5)	(11)	5	(14)
Write-backs	-	-	-	(4)	(4)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge / (release)	3	(10)	(12)	1	(18)
Bad debts written-off (excluding recoveries)	-	-	-	-	-
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	-	-
As at 30 September 2021	23	53	17	9	102

Off-balance sheet credit related commitments - 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 2020	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge	-	-	-	-	-
As at 30 September 2021	-	-	-	-	-

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 2020	81,057	5,859	512	24	87,452
Net transfers in to each stage	3,175	-	-	5	3,180
Amounts drawn from new or existing facilities	33,250	588	5	12	33,855
Additions	36,425	588	5	17	37,035
Net transfers out of each stage	-	(3,164)	(17)	1	(3,180)
Amounts repaid	(22,625)	(1,437)	(144)	(23)	(24,229)
Deletions	(22,625)	(4,601)	(161)	(22)	(27,409)
Amounts written off	-	-	-	-	-
As at 30 September 2021	94,857	1,846	356	19	97,078
Loss allowance as at 30 September 2021	23	53	17	9	102

Off-balance sheet credit related commitments - 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 2020	8,793	73	-	-	8,866
Net transfers in to each stage	28	-	-	-	28
New and increased facilities and drawn amounts repaid	2,691	12	2	-	2,705
Additions	2,719	12	2	-	2,733
Net transfers out of each stage	-	(28)	-	-	(28)
Reduced facilities and amounts drawn	(2,472)	(17)	(1)	-	(2,490)
Deletions	(2,472)	(45)	(1)	-	(2,518)
Amounts written off	-	-	-	-	-
As at 30 September 2021	9,040	40	1	-	9,081
Loss allowance as at 30 September 2021	-	-	-	-	-

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

While gross balances have increased, there has been a decrease in the proportion of gross balances in Stage 2 and Stage 3. The NZ$18 million (15.0%) decrease in loss allowances on residential mortgage exposures is primarily driven by changes in the forward-looking economic scenarios as described in Note 12 Allowance for Expected Credit Losses. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80% (refer to page 94).

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

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 2019 [1]	18	25	12	8	63
Transfer between stages	6	(7)	1	-	-
New and increased provisions (net of collective provision releases)[2]	(4)	45	16	7	64
Write-backs	-	-	-	(4)	(4)
Recoveries of amounts previously written off	-	-	-	-	-
Credit impairment charge	2	38	17	3	60
Bad debts written-off (excluding recoveries)	-	-	-	(1)	(1)
Add back recoveries of amounts previously written off	-	-	-	-	-
Discount unwind	-	-	-	(2)	(2)
As at 30 September 2020	20	63	29	8	120
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2019	-	-	-	-	-
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	-	-	-	-	-
Credit impairment charge	-	-	-	-	-
As at 30 September 2020	-	-	-	-	-

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

Gross loans and advances - residential mortgages	Stage 1	Stage 2	Stage 3 Collectively assessed	Stage 3 Individually assessed	Total
As at 1 October 2019	79,128	2,475	273	25	81,901
Net transfers in to each stage	-	3,553	272	10	3,835
Amounts drawn from new or existing facilities	23,077	545	59	22	23,703
Additions	23,077	4,098	331	32	27,538
Net transfers out of each stage	(3,835)	-	-	-	(3,835)
Amounts repaid	(17,313)	(714)	(92)	(32)	(18,151)
Deletions	(21,148)	(714)	(92)	(32)	(21,986)
Amounts written off	-	-	-	(1)	(1)
As at 30 September 2020	81,057	5,859	512	24	87,452
Loss allowance as at 30 September 2020	20	63	29	8	120
Off-balance sheet credit related commitments - residential mortgages					
As at 1 October 2019	8,232	36	-	-	8,268
Net transfers in to each stage	-	25	-	-	25
New and increased facilities and drawn amounts repaid	1,937	23	-	-	1,960
Additions	1,937	48	-	-	1,985
Net transfers out of each stage	(25)	-	-	-	(25)
Reduced facilities and amounts drawn	(1,351)	(11)	-	-	(1,362)
Deletions	(1,376)	(11)	-	-	(1,387)
As at 30 September 2020	8,793	73	-	-	8,866
Loss allowance as at 30 September 2020	-	-	-	-	-

1 Amounts have been updated to reclassify a total net NZ$14 million relating to corporate previously included in residential mortgages.
2 Amounts have been updated to reclassify NZ$31 million relating to residential mortgages previously included in corporate.

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

While gross balances have increased, and there has been a small increase in the proportion of gross balances in Stage 2 and Stage 3, the NZ$57 million (90.5%) increase in loss allowances on residential mortgage exposures is primarily driven by changes in the forward looking economic scenarios and changes in probability weightings. Overall loss allowances and individually impaired exposures remain low, reflecting that approximately 94% of on-balance sheet residential mortgage exposures have loan to valuation ratios not exceeding 80%.

B3. ASSET QUALITY (continued)

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 2020	11	60	26	8	105
Transfer between stages	6	(5)	(1)	-	-
New and increased provisions (net of collective provision releases)	(7)	(6)	(8)	37	16
Write-backs	-	-	-	(5)	(5)
Recoveries of amounts previously written off	-	-	-	(15)	(15)
Credit impairment charge / (release)	(1)	(11)	(9)	17	(4)
Bad debts written-off (excluding recoveries)	-	-	-	(34)	(34)
Add back recoveries of amounts previously written off	-	-	-	15	15
Discount unwind	-	-	-	-	-
As at 30 September 2021	10	49	17	6	82

Off-balance sheet credit related commitments - 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 2020	19	13	3	-	35
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(7)	2	-	-	(5)
Credit impairment release	(4)	(1)	-	-	(5)
As at 30 September 2021	15	12	3	-	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 2020	2,570	165	49	11	2,795
Net transfers in to each stage	-	-	10	3	13
Amounts drawn from new or existing facilities	833	44	7	38	922
Additions	833	44	17	41	935
Net transfers out of each stage	(2)	(11)	-	-	(13)
Amounts repaid	(1,130)	(66)	(32)	(9)	(1,237)
Deletions	(1,132)	(77)	(32)	(9)	(1,250)
Amounts written off	-	-	-	(34)	(34)
As at 30 September 2021	2,271	132	34	9	2,446
Loss allowance as at 30 September 2021	10	49	17	6	82

Off-balance sheet credit related commitments - 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 2020	5,183	47	15	-	5,245
Net transfers in to each stage	-	-	2	-	2
New and increased facilities and drawn amounts repaid	627	5	2	-	634
Additions	627	5	4	-	636
Net transfers out of each stage	(1)	(1)	-	-	(2)
Reduced facilities and amounts drawn	(718)	(13)	(6)	-	(737)
Deletions	(719)	(14)	(6)	-	(739)
As at 30 September 2021	5,091	38	13	-	5,142
Loss allowance as at 30 September 2021	15	12	3	-	30

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

The NZ$28 million (20.0%) decrease in loss allowances is primarily driven by changes in the forward-looking economic scenarios as described in Note 12 Allowance for Expected Credit Losses.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – other retail exposures

Net loans and advances - other retail exposures[1]	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 2019	26	51	24	18	119
Transfer between stages	11	(11)	-	-	-
New and increased provisions (net of collective provision releases)	(9)	30	3	71	95
Write-backs	-	-	-	(11)	(11)
Recoveries of amounts previously written off	-	-	-	(18)	(18)
Credit impairment charge	2	19	3	42	66
Bad debts written-off (excluding recoveries)	-	-	-	(60)	(60)
Add back recoveries of amounts previously written off	-	-	-	18	18
Discount unwind	-	-	-	-	-
Sale of UDC	(17)	(10)	(1)	(10)	(38)
As at 30 September 2020	11	60	26	8	105

Off-balance sheet credit related commitments - 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 2019	17	11	2	-	30
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(1)	5	1	-	5
Credit impairment charge	2	2	1	-	5
As at 30 September 2020	19	13	3	-	35

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

Gross loans and advances - other retail exposures[2]	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 2019	4,853	305	45	30	5,233
Net transfers in to each stage	12	-	25	18	55
Amounts drawn from new or existing facilities	1,223	28	13	49	1,313
Additions	1,235	28	38	67	1,368
Net transfers out of each stage	(10)	(45)	-	-	(55)
Amounts repaid	(1,853)	(105)	(31)	(12)	(2,001)
Deletions	(1,863)	(150)	(31)	(12)	(2,056)
Amounts written off	-	-	-	(60)	(60)
Sale of UDC	(1,655)	(18)	(3)	(14)	(1,690)
As at 30 September 2020	2,570	165	49	11	2,795
Loss allowance as at 30 September 2020	11	60	26	8	105

Off-balance sheet credit related commitments - other retail exposures[2]	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 2019	5,222	46	3	-	5,271
Net transfers in to each stage	-	-	4	-	4
New and increased facilities and drawn amounts repaid	450	16	14	-	480
Additions	450	16	18	-	484
Net transfers out of each stage	(1)	(3)	-	-	(4)
Reduced facilities and amounts drawn	(488)	(12)	(6)	-	(506)
Deletions	(489)	(15)	(6)	-	(510)
As at 30 September 2020	5,183	47	15	-	5,245
Loss allowance as at 30 September 2020	19	13	3	-	35

1 Amounts have been updated to reclassify a total net NZ$31 million (2019: NZ$4 million) relating to other retail exposures previously included in corporate.
2 For consistency with capital adequacy classifications, amounts have been updated to reclassify gross loans and advances of NZ$1,179 million (2019: NZ$1,718 million) previously included in corporate and off balance sheet credit related commitments of NZ$635 million to (2019: NZ$644 million from) corporate.

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

The NZ$9 million (6.0%) decrease in loss allowances is primarily driven by the reduction in other retail exposures due to the sale of UDC, partially offset by a small increase in the proportion of gross balances in Stage 2 and Stage 3.

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – corporate exposures[1]

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 2020	131	224	24	90	469
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of collective provision releases)	(13)	(8)	(2)	25	2
Write-backs	-	-	-	(54)	(54)
Recoveries of amounts previously written off	-	-	-	(3)	(3)
Credit impairment charge release	(9)	(12)	(2)	(32)	(55)
Bad debts written-off (excluding recoveries)	-	-	-	(13)	(13)
Add back recoveries of amounts previously written off	-	-	-	3	3
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2021	122	212	22	45	401

Off-balance sheet credit related commitments - 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 2020	60	42	-	22	124
Transfer between stages	-	(1)	1	-	-
New and increased provisions (net of collective provision releases)	(11)	(14)	-	(7)	(32)
Credit impairment release	(11)	(15)	1	(7)	(32)
As at 30 September 2021	49	27	1	15	92

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 2020	36,483	5,796	247	326	42,852
Net transfers in to each stage	154	-	15	-	169
Amounts drawn from new or existing facilities	11,316	506	74	89	11,985
Additions	11,470	506	89	89	12,154
Net transfers out of each stage	-	(56)	-	(113)	(169)
Amounts repaid	(11,088)	(2,023)	(108)	(162)	(13,381)
Deletions	(11,088)	(2,079)	(108)	(275)	(13,550)
Amounts written off	-	-	-	(13)	(13)
As at 30 September 2021	36,865	4,223	228	127	41,443
Loss allowance as at 30 September 2021	122	212	22	45	401

Off-balance sheet credit related commitments - 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 2020	15,525	1,335	4	41	16,905
Net transfers in to each stage	-	-	9	1	10
New and increased facilities and drawn amounts repaid	5,478	297	8	1	5,784
Additions	5,478	297	17	2	5,794
Net transfers out of each stage	(8)	(2)	-	-	(10)
Reduced facilities and amounts drawn	(6,308)	(429)	(3)	(20)	(6,760)
Deletions	(6,316)	(431)	(3)	(20)	(6,770)
As at 30 September 2021	14,687	1,201	18	23	15,929
Loss allowance as at 30 September 2021	49	27	1	15	92

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.

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

The NZ$100 million (16.9%) decrease in loss allowances is primarily driven by changes in the forward-looking economic scenarios as described in Note 12 Allowance for Expected Credit Losses, and a decrease in the proportion of gross balances in Stage 2 and Stage 3.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – corporate exposures[1]

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 2019[2]	120	118	6	71	315
Transfer between stages	8	(12)	3	1	-
New and increased provisions (net of collective provision releases)[3]	11	131	15	79	236
Write-backs	-	-	-	(19)	(19)
Recoveries of amounts previously written off	-	-	-	(5)	(5)
Credit impairment charge	19	119	18	56	212
Bad debts written-off (excluding recoveries)	-	-	-	(31)	(31)
Add back recoveries of amounts previously written off	-	-	-	5	5
Discount unwind	-	-	-	(7)	(7)
Sale of UDC	(8)	(13)	-	(4)	(25)
As at 30 September 2020	131	224	24	90	469
Off-balance sheet credit related commitments - corporate exposures					
As at 1 October 2019	43	13	-	11	67
Transfer between stages	-	-	-	-	-
New and increased provisions (net of collective provision releases)	18	31	-	11	60
Credit impairment charge	18	31	-	11	60
Sale of UDC	(1)	(2)	-	-	(3)
As at 30 September 2020	60	42	-	22	124

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

Gross loans and advances - corporate exposures[4]	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 2019	39,304	6,228	126	230	45,888
Net transfers in to each stage	-	950	175	182	1,307
Amounts drawn from new or existing facilities	9,987	802	48	120	10,957
Additions	9,987	1,752	223	302	12,264
Net transfers out of each stage	(1,307)	-	-	-	(1,307)
Amounts repaid	(10,278)	(1,755)	(102)	(168)	(12,303)
Deletions	(11,585)	(1,755)	(102)	(168)	(13,610)
Amounts written off	-	-	-	(31)	(31)
Sale of UDC	(1,223)	(429)	-	(7)	(1,659)
As at 30 September 2020	36,483	5,796	247	326	42,852
Loss allowance as at 30 September 2020	131	224	24	90	469
Off-balance sheet credit related commitments - corporate exposures[4]					
As at 1 October 2019	15,037	755	-	19	15,811
Net transfers in to each stage	3	362	3	7	375
New and increased facilities and drawn amounts repaid	6,885	561	2	25	7,473
Additions	6,888	923	5	32	7,848
Net transfers out of each stage	(372)	(3)	-	-	(375)
Reduced facilities and amounts drawn	(5,650)	(175)	(1)	(10)	(5,836)
Deletions	(6,022)	(178)	(1)	(10)	(6,211)
Sale of UDC	(378)	(165)	-	-	(543)
As at 30 September 2020	15,525	1,335	4	41	16,905
Loss allowance as at 30 September 2020	60	42	-	22	124

1 Also includes all other non-retail exposure classes in net loans and advances and off balance sheet credit related commitments to reconcile to the respective totals for the Banking Group.
2 Amounts have been updated to reclassify aggregate amounts of NZ$14 million from residential mortgages and NZ$4 million to other retail.
3 Amounts have been updated to reclassify aggregate amounts of NZ$31 million to residential mortgages and NZ$27 million to other retail.
4 For consistency with capital adequacy classifications of other retail exposures, amounts have been updated to reclassify gross loans and advances of NZ$1,179 million (2019: NZ$1,718 million) to other retail exposures and off balance sheet credit related commitments of NZ$635 million from (2019: NZ$644 million to) other retail exposures.

B3. ASSET QUALITY (continued)

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

While there has been a small increase in the proportion of gross balances in Stage 3, the NZ$211 million (55.2%) increase in loss allowances is primarily driven by changes in the forward looking economic scenarios and changes in probability weightings, partially offset by the reduction in exposures from the sale of UDC and amounts written-off.

Past due assets

	2021				2020			
	Residential mortgages NZ$m	Other retail exposures NZ$m	Non-retail exposures NZ$m	Total NZ$m	Residential mortgages NZ$m	Other retail exposures NZ$m	Non-retail exposures NZ$m	Total NZ$m
Less than 30 days past due	402	76	237	715	313	88	549	950
At least 30 days but less than 60 days past due	122	13	157	292	86	15	104	205
At least 60 days but less than 90 days past due	125	8	42	175	106	10	15	131
At least 90 days past due	325	21	26	372	470	35	18	523
Total past due but not individually impaired	**974**	**118**	**462**	**1,554**	975	148	686	1,809

Other asset quality information

Undrawn facilities with impaired customers	-	-	23	23	-	-	41	41
Other assets under administration	2	1	-	3	3	1	-	4

Asset quality for financial assets designated at fair value

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

REGISTERED BANK DISCLOSURES

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

RBNZ capital ratios

	Banking Group			Bank (Solo Consolidated)	
	RBNZ minimum	2021	2020	2021	2020
Common equity tier 1 capital	4.5%	**13.4%**	11.7%	**13.1%**	11.3%
Tier 1 capital	6.0%	**16.2%**	14.4%	**15.9%**	14.0%
Total capital	8.0%	**16.9%**	14.4%	**16.6%**	14.0%
Buffer ratio	2.5%	**8.9%**	6.4%	**n/a**	n/a

Capital

As at 30 September 2021	Note	NZ$m
Tier 1 capital		
Common equity tier 1 (CET1) capital		
Paid up ordinary shares issued by the Bank	21	11,588
Retained earnings (net of appropriations)		4,934
Accumulated other comprehensive income and other disclosed reserves[1]	21	70
Less deductions from common equity tier 1 capital		
Goodwill and intangible assets, net of associated deferred tax liabilities		(3,091)
Deferred tax assets less deferred tax liabilities relating to temporary differences		(416)
Cash flow hedge reserve		(8)
Defined benefit superannuation plan surplus		(7)
Expected losses to the extent greater than total eligible allowances for impairment		(69)
Common equity tier 1 capital		13,001
Additional tier 1 capital		
Preference shares[2]	21	300
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN)[3]	14	500
NZD 1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)[3]	14	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)[3]	14	938
Retained earnings of the Bonus Bonds Scheme[4]		94
Less deductions from additional tier 1 capital		
Surplus retained earnings of the Bonus Bonds Scheme[4]		(83)
Additional tier 1 capital		2,752
Total tier 1 capital		15,753
Tier 2 capital		
NZD 600m subordinated notes[3]		600
Eligible impairment allowance in excess of expected loss		35
Tier 2 capital		635
Total capital		**16,388**

1 Includes the cash flow hedging reserve of NZ$8 million plus the investment securities revaluation reserve of NZ$62 million as at 30 September 2021.
2 Classified as equity on the balance sheet under NZ GAAP.
3 Classified as a liability on the balance sheet under NZ GAAP.
4 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 30 September 2021	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	209,202	62,922	5,034
Operational risk	n/a	10,386	831
Market risk	n/a	6,282	503
Supervisory adjustment	n/a	17,587	1,407
Total	n/a	97,177	7,775

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.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

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

IRB credit exposures by exposure class and customer credit rating

As at 30 September 2021	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	0.05	83,763	7,294	62	30	2,328	186
3 - 4	0.31	42,191	22,711	37	39	9,429	754
5	1.01	13,673	11,105	31	55	6,490	519
6	2.30	3,144	2,947	32	73	2,280	182
7 - 8	17.63	1,189	1,146	37	162	1,962	157
Default	100.00	397	390	32	82	341	28
Total corporate exposures[1,2]	1.86	144,357	45,593	39	47	22,830	1,826
Sovereign							
0	0.01	30,940	15,869	5	1	190	15
1 - 8	0.27	52	46	5	4	2	-
Total sovereign exposures	0.01	30,992	15,915	5	1	192	15
Bank							
0	0.03	1	1	65	50	1	-
1	0.03	50,405	3,477	38	20	739	59
2 - 4	0.05	1,628,570	7,015	65	24	1,792	143
5 - 8	5.35	-	-	65	191	-	1
Total bank exposures	0.04	1,678,976	10,493	56	23	2,532	203
Residential mortgages							
0 - 3	0.20	38,811	39,202	12	5	2,251	180
4	0.45	43,820	43,959	20	16	7,347	588
5	0.89	20,057	20,133	24	32	6,745	540
6	1.94	2,897	2,900	26	59	1,805	144
7 - 8	4.67	192	192	25	88	179	14
Default	100.00	382	382	14	7	28	2
Total residential mortgage exposures[3]	0.84	106,159	106,768	18	16	18,355	1,468
Other retail							
0 - 2	0.10	549	551	77	49	289	23
3 - 4	0.26	4,498	4,580	78	55	2,653	212
5	1.10	1,073	1,062	78	83	930	74
6	2.71	641	670	83	108	767	61
7 - 8	8.31	780	810	87	136	1,169	94
Default	100.00	47	47	81	49	24	3
Total other retail exposures	2.02	7,588	7,720	79	71	5,832	467
Total credit risk exposures subject to the IRB approach	1.02	1,968,072	186,489	27	25	49,741	3,979

1 During the year ended 30 September 2021, two immaterial issues impacting the calculation of RWA for corporate exposures were identified. They related to the tenor treatment for performance guarantee products (estimated impact +NZ$106m RWA) and the measurement of security coverage for corporate customers with residential mortgages (estimated impact +NZ$143m RWA). There is no impact on reported capital ratios and remediation is in progress.

2 The supervisory adjustment on the previous page includes NZ$4,721 million of RWA for corporate exposures. This increases the pre-scalar exposure–weighted risk weight to 57% and the minimum capital requirement to NZ$2,204 million.

3 The supervisory adjustment on the previous page includes NZ$12,866 million of RWA for residential mortgage exposures. This increases the pre-scalar exposure-weighted risk weight to 28% and the minimum capital requirement to NZ$2,497 million.

REGISTERED BANK DISCLOSURES

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

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

As at 30 September 2021	Total value NZ$m	Exposure at default NZ$m
Undrawn commitments and other off-balance sheet amounts excluding market related contracts		
Corporate	12,599	11,835
Sovereign	82	77
Bank	1,234	1,084
Residential mortgages	9,081	9,532
Other retail	5,142	5,216
Market related contracts		
Corporate	99,897	1,891
Sovereign	15,006	95
Bank	1,672,023	4,380
Residential mortgages	-	-
Other retail	-	-

Additional mortgage information

As required by the 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 30 September 2021	On-balance sheet NZ$m	Off-balance sheet NZ$m	Total NZ$m
LVR range			
Does not exceed 60%	50,774	6,507	57,281
Exceeds 60% and not 70%	19,919	1,198	21,117
Exceeds 70% and not 80%	20,866	1,025	21,891
Does not exceed 80%	91,559	8,730	100,289
Exceeds 80% and not 90%	3,888	123	4,011
Exceeds 90%	1,631	228	1,859
Total	97,078	9,081	106,159

Specialised lending subject to the slotting approach

As at 30 September 2021	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	6,222	70	4,617	369
Good	5,142	90	4,905	392
Satisfactory	300	115	366	29
Weak	100	250	264	23
Default	4	-	-	-

As at 30 September 2021	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	1,407	85	1,271	101

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-.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

Credit risk exposures subject to the standardised approach

As at 30 September 2021	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	163	-	-	-
Sovereign and central banks	6,697	-	-	-
Multilateral development banks and other international organisations	-	-	-	-
Public sector entities	-	-	-	-
Banks	-	-	-	-
Corporate	331	17	60	5
Residential mortgages	-	-	-	-
Past due assets	-	-	-	-
Other assets	1,119	100	1,187	95

As at 30 September 2021	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	578	68	394	98	411	33
Market related contracts						
Foreign exchange contracts	-	n/a	-	-	-	-
Interest rate contracts	981,962	n/a	833	11	95	8
Other - OTC etc	727	n/a	-	2	-	-

Equity exposures

As at 30 September 2021	Exposure at default 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

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.

As at 30 September 2021	For portfolios subject to the standardised approach: total value of exposures covered by eligible financial collateral (after haircut) NZ$m	For all portfolios: total value of exposures covered by guarantees or credit derivatives[1] NZ$m
Exposure class		
Sovereign	-	-
Bank	-	-
Corporate (including specialised lending)	-	843
Residential mortgage	-	-
Other	-	-

1 Covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures.

REGISTERED BANK DISCLOSURES

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH, AND REGULATORY LIQUIDITY RATIOS (UNAUDITED) (continued)

Operational risk

As required by its conditions of registration, the Banking Group uses the standardised approach to the calculation of its operational risk capital requirement. As at 30 September 2021, the Banking Group had an implied risk weighted exposure of NZ$10,386 million for operational risk and an operational risk capital requirement of NZ$831 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 30 September 2021.

	Implied risk weighted exposure		Aggregate capital charge	
	Period end	Peak	Period end	Peak
As at 30 September 2021	NZ$m	NZ$m	NZ$m	NZ$m
Interest rate risk	6,260	10,950	501	876
Foreign currency risk	21	21	2	2
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. The Banking Group's ICAAP 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. Other material risks identified by the Banking Group include fixed asset risk and deferred acquisition cost risk. The Banking Group's internal capital allocation for these other material risks is NZ$313 million (2020: NZ$335 million, updated from NZ$293 million for revised methodology).

Information about Ultimate Parent Bank and Overseas Banking Group

APRA Basel III capital ratios	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	2021	2020	2021	2020
Common equity tier 1 capital	12.3%	11.3%	12.0%	11.2%
Tier 1 capital	14.3%	13.2%	14.1%	13.2%
Total capital	18.4%	16.4%	18.6%	16.7%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA, which is at least equal to that specified under the Basel III capital framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets. Where the Overseas Banking Group is not accredited to use the AIRB methodology the Overseas Banking Group applies the standardised approach.
- the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 30 September 2021 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2021. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 September 2021, 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. From 2 April 2020, the minimum amount of core funding was lowered from 75% to 50% of a bank's total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum on a daily basis. This measure of the core funding ratio is averaged over the quarter.

For the three months ended	30 Sep 21	30 Jun 21
Quarterly average 1-week mismatch ratio	7.1%	7.3%
Quarterly average 1-month mismatch ratio	6.5%	6.5%
Quarterly average core funding ratio	89.3%	89.4%

B5. CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The Banking Group measures its concentration of credit exposures 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 (i.e. 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 30 Sep 21	Peak end of day over 6 months to 30 Sep 21
Exposures to banks		
Total number of exposures to banks that are greater than 10% of CET1 capital	1	1
with a long-term credit rating of A- or A3 or above, or its equivalent	1	1
- 10% to less than 15% of CET1 capital	1	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	2	2
- 30% to less than 35% 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	-	-

REGISTERED BANK DISCLOSURES

B6. CREDIT EXPOSURES TO CONNECTED PERSONS

	Connected persons		Non-bank connected	
	Amount NZ$m	% of Tier 1 Capital	Amount NZ$m	% of Tier 1 Capital
As at 30 September 2021				
Gross amount, before netting	11,912	75.6%	<$1m	0.0%
Amount netted	8,587	54.5%	-	0.0%
Aggregate credit exposure (on partial bilateral net basis)	3,325	21.1%	<$1m	0.0%
Peak end-of day aggregate credit exposure over the year ended 30 September 2021				
Gross amount, before netting	11,707	74.3%	<$1m	0.0%
Amount netted	8,232	52.3%	-	0.0%
Aggregate credit exposure (on partial bilateral net basis)	3,475	22.1%	<$1m	0.0%

Credit exposures to connected persons

The information on credit exposure to connected persons has been derived in accordance with the RBNZ Banking Supervision Handbook document *Connected Exposures Policy* (BS8), is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Peak end-of-day aggregate exposure

Peak end-of-day aggregate credit exposure to connected persons as a ratio to tier 1 capital for the full year accounting period is derived by determining the maximum end-of-day aggregate amount of credit exposure over the accounting period and then dividing that amount by the Banking Group's tier 1 capital as at the reporting date.

Rating contingent limit

The rating-contingent limit that applied to the Banking Group as at 30 September 2021 was 60%. No limit changes have occurred over the year to 30 September 2021. Within the overall rating-contingent limit, there is a sub-limit of 15% of tier 1 capital that applies to the aggregate credit exposure to non-bank connected persons.

Additional requirements for aggregate credit exposure to connected persons

Aggregate credit exposure to connected persons has been calculated on a partial bilateral net basis. The gross amounts and amounts netted off under a bilateral netting agreement are included in the table above. There is a limit of 125% of the Banking Group's tier 1 capital in respect of the gross amount of aggregate credit exposure to connected persons that can be netted off in determining the net exposure.

Aggregate amount of contingent exposures arising from risk lay-off arrangements

NZ$219 million of contingent exposures of the Banking Group to connected persons arose from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 30 September 2021.

Loss allowance for credit-impaired credit exposures to connected persons

There were no loss allowances provided against credit exposures to connected persons as at 30 September 2021.

B7. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

Insurance business

The Banking Group does not conduct any insurance business.

Banking Group's involvement in securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products

a) *Banking Group's involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, and other fiduciary activities*

Activity	Details
Custodial	The Banking Group operates two custodians as at 30 September 2021: • ANZ Custodial Services New Zealand Limited, which is the appointed custodian for private banking's (ANZ Private) Discretionary Investment Management Service, Wholesale Investment Services and Trading Service; and • ANZ New Zealand Investments Nominees Limited, which is the appointed custodian for direct holdings of securities by various wholesale customer portfolios managed by ANZ New Zealand Investments Limited (ANZ Investments).
Funds management	The Banking Group provides the following funds management services: • *Managed Investment Schemes (MIS):* The Banking Group's subsidiaries ANZ Investments and ANZ Investment Services (New Zealand) Limited (ANZIS) act as manager for a number of managed investment schemes. ANZ Investments holds an MIS Manager licence, with ANZIS being an authorised body under that licence. ANZ Investments is the issuer and manager of ANZ and OneAnswer-branded KiwiSaver, retail and wholesale schemes. ANZIS is the issuer and manager of the Bonus Bonds Scheme and the ANZ PIE Fund. ANZ National Staff Superannuation Limited, also a subsidiary of the Banking Group, is the trustee and manager of the ANZ National Retirement Scheme, which is a restricted workplace savings scheme. • *Discretionary Investment Management Service (DIMS):* The Bank is a licensed DIMS provider. This service is offered to ANZ Private customers. • *Other investment portfolios:* ANZ Investments also manages investment portfolios for a number of schemes where the scheme manager or trustee has outsourced investment management services to ANZ Investments. These schemes are typically corporate superannuation schemes.
Other fiduciary activities	ANZ Investments, through its subsidiary OneAnswer Nominees Limited, offers the OneAnswer Portfolio Service. The associated administration and custody services are provided by FNZ Limited and FNZ Custodians Limited respectively (together FNZ). FNZ is not a member or related party of the Banking Group.

b) *Banking Group's involvement in the origination of securitised assets, and the marketing or servicing of securitisation schemes*

The Banking Group originates securitised assets in the form of residential mortgage backed securities held for potential repurchase transactions with the RBNZ, and covered bonds. Refer to Note 24 Structured Entities for further details about these programmes. Other than these activities, the Banking Group is not involved in the marketing or servicing of securitisation schemes.

c) *Banking Group's involvement in marketing and distribution of insurance products*

The Banking Group markets and distributes life insurance, other personal and business insurance products provided by or arranged through a number of insurance partners. None of these insurance partners are affiliated insurance entities or affiliated insurance groups. Our insurance partners are:

- Vero Insurance New Zealand Limited for home, contents, motor vehicle, boat and lifestyle block insurance;
- AWP Services New Zealand Limited, trading as Allianz Partners, for travel insurance. Policies are underwritten by Allianz Australia Insurance Limited (incorporated in Australia) trading as Allianz New Zealand;
- Cigna Life Insurance New Zealand Limited for life & living insurance; and
- Crombie Lockwood (NZ) Limited is our business insurance broker.

Arrangements to ensure no adverse impacts arising from the above activities

Arrangements have been put in place to ensure that difficulties arising from the activities in a), b) and c) above would not impact adversely on the Banking Group. The policies and procedures in place include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management.

REGISTERED BANK DISCLOSURES

B7. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS (continued)

Amounts represented by funds management and securitisation activities

	2021 NZ$m	2020 NZ$m
Funds under management:		
KiwiSaver[1]	19,051	16,417
Bonus Bonds Scheme[2]	872	2,071
Other managed funds[1]	3,842	2,701
ANZ PIE Fund[2]	1,724	2,309
DIMS[3]	8,868	8,087
Other investment portfolios[4]	4,686	3,638
Total funds under management	39,043	35,223
Funds under custodial arrangements	8,942	8,353
Other funds held or managed subject to fiduciary responsibilities[5]	1,811	1,491
Outstanding securitised assets originated by the Banking Group - carrying amount of covered bonds	4,248	4,522

1 Managed by ANZ Investments.
2 Managed by ANZIS.
3 Managed by the Bank.
4 Comprises portfolios managed by ANZ Investments, and the ANZ National Retirement Scheme managed by ANZ National Staff Superannuation Limited.
5 Not included in funds under management.

Financial services provided to entities conducting the above activities

Financial services provided by any member of the Banking Group to entities that conduct the activities in a) or b) above are provided on arm's length terms and conditions and at fair value.

Assets purchased from entities conducting the above activities

Over the year ended 30 September 2021, any assets purchased by any member of the Banking Group from entities that conduct the activities in a), b) or c) above have been purchased on arm's length terms and conditions and at fair value.

Funding provided to entities in aggregate and individually

The peak end-of day aggregate amount of funding provided to entities that provide services relating to the Banking Group's involvement in the above activities over the year ended 30 September 2021 was NZ$0.1 million (2020: NZ$0.1 million) which was 0.0% (2020: 0.0%) of the Banking Group's tier 1 capital and 0.1% (2020: 0.1%) of the total assets of the individual entity. Comparative amounts have been updated to include undrawn facilities.

Method for deriving peak end-of-day amount of funding in aggregate and individually

The peak end-of-day aggregate amount of funding is the maximum end-of-day aggregate amount of funding over the full year accounting period, divided by the Banking Group's tier 1 capital as at the balance date, and the total assets as at the balance date of the individual entity to which the Banking Group has provided funding. Where financial statements for the individual entity are not publicly available, total assets from the publicly available financial statements of the group of which the entity is a member have been used.

B8. RISK MANAGEMENT POLICIES

Information about risk

The COVID-19 pandemic has continued to impact our operating environment. Our Risk Management Framework has underpinned our response during this challenging time and has enabled us to maintain sound risk management practices.

The Board is ultimately responsible for establishing and overseeing the Banking Group's Risk Management Framework (RMF), which is supported by the Banking Group's underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with the Banking Group's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of the Banking Group's RMF include:

- The Risk Management Strategy (RMS), which describes the Banking Group's strategy for managing risks arising from the Banking Group's purpose and strategy and the key elements of the RMF that give effect to that strategy. The RMS includes: how the risk function is structured to support the Banking Group's purpose and strategy; the values, attitudes and behaviours required of employees in delivering on strategic priorities; a description of each material risk; and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Banking Group identifies, measures, evaluates, monitors, reports and then either controls or mitigates material risks.
- The Risk Appetite Statement (RAS), which sets out the Board's expectations regarding, for each material risk, the maximum level of risk the Banking Group is willing to accept in pursuing its strategic objectives and its operating plans considering its stakeholders', depositors' and customers' interests.
- Risk Culture, an important component of the Banking Group's organizational culture and an intrinsic part of the Banking Group's RMF.

The material risks facing the Banking Group per our RMS, and how these risks are managed, are summarised below.

Key Material Risks

Each key material risk has an associated RAS component, and where applicable, is measured by appropriate metric(s) and associated tolerance(s) representing the maximum level of risk appropriate to execute the Banking Group's strategic agenda. Metrics are prepared and reviewed at least monthly. A risk appetite dashboard is prepared and reviewed by senior management monthly, and presented to the BRC at each meeting.

Risk Type	Description	Managing the Risk
Strategic Risk	Risks that affect or are created by an organisation's business strategy and strategic objectives. A possible source of loss might arise from the pursuit of an unsuccessful business plan. For example, Strategic risk might arise from making poor strategic business decisions, from the sub-standard execution of decisions, or from a failure to respond well to changes in a business environment.	We consider and manage strategic risks through our annual strategic planning process, managed by the Executive Committee and approved by the Board. Where the strategy leads to an increase in Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk) the risk management strategies associated with these risks form the primary controls.
Capital Adequacy Risk	The risk of loss arising from the Banking Group failing to maintain the level of capital required by prudential regulators and other key stakeholders (shareholders, debt investors, depositors, rating agencies, etc.) to support the Banking Group's consolidated operations and risk appetite.	We pursue an active approach to Capital Management, which is designed to protect the interests of depositors, creditors and stakeholders through ongoing review, and Board approval, of the level and composition of our capital base against key policy objectives. The ICAAP also operates as part of the management framework for this risk.
Credit Risk	The risk of financial loss resulting from a counterparty failing to fulfil its obligations, or from a decrease in credit quality of a counterparty resulting in a financial loss. Credit Risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies. Includes: • concentrations of credit risk; • intra-day credit risk; • credit risk to bank counterparties; and • related party credit risk.	Our Credit Risk framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle from initial approval and risk grading, through ongoing management and problem debt management. The effectiveness of the Credit Risk framework is assessed through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.
Liquidity and Funding Risk	The risk that the Banking Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Banking Group having insufficient capacity to fund increases in assets.	Key principles in managing our Liquidity and Funding Risk include: • the Banking Group's short term liquidity scenario modelling stresses cash flow projections against multiple survival horizons over which the Banking Group is required to remain cash flow positive; and • Longer-term scenarios are in place that measure the structural liquidity position of the balance sheet.

REGISTERED BANK DISCLOSURES

B8. RISK MANAGEMENT POLICIES (continued)

Risk Type	Description	Managing the Risk
Market Risk	The risk to the Banking Group's earnings arising from: • changes in any interest rates, foreign exchange rates, credit spreads, volatility, and correlations; or • fluctuations in bond, commodity or equity prices.	We have a detailed risk management and control framework to support our trading and balance sheet activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach, along with related analysis, identifies the range of possible outcomes, that can be expected over a given period of time, and establishes the likelihood of those outcomes and allocates an appropriate amount of capital to support these activities. The Banking Group's key tools to measure and manage Market Risk on a daily basis include value at risk, earnings at risk, interest rate sensitivities, market value loss limits and stress testing.
Operational Risk	The risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and/or systems, or from external events. This definition includes legal risk, and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and/or systems; but excludes strategic risk.	The Banking Group foundational operational risk policy is the Operational Risk Approach. The Operational Risk Approach and its supporting requirements includes management and measurement of operational risks and compliance with laws, regulations, industry standards, codes and principles of good governance, and internal policies and procedures. The Banking Group takes a risk-based approach to the management of operational risk and obligations. This enables the Banking Group to be consistent in proactively identifying, assessing, managing, reporting and escalating operational risk-related risk exposures.
	Compliance Risk The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to the Banking Group's businesses.	Key features of how we manage Compliance Risk as part of our Operational Risk and Compliance Framework include: • centralised management of key obligations, and emphasis on identification of changing regulations and the business environment, to enable proactive assessment of emerging compliance risk; and • recognition of incident management as a separate element to enhance the Banking Group's ability to identify, manage and report on incidents/breaches in a timely manner.
	Conduct Risk The risk of loss or damage arising from the failure of the Banking Group, its employees or agents to appropriately consider the interests of customers, the integrity of the financial markets and the expectations of the community in conducting its business activities. The risk may arise not only from deliberate or negligent actions of individual employees, but may also be inadvertent and caused by inadequacies in the Banking Group's systems, processes and procedures.	Our approach to managing Conduct Risk is to seek to ensure that risks to customers, community and market integrity are identified, assessed, treated, monitored and reported in a structured environment with appropriate governance oversight.
	Technology Risk The risk of loss and/or non-compliance with laws from inadequate or failed internal processes, people or systems that deliver technology assets and services to customers and staff. This risk includes technology assets and services delivered or managed by third parties, and external events. The risk specifically includes information security and cyber security and how information held by the Banking Group needs to be protected from inappropriate modification, loss, disclosure and unavailability.	Our approach to managing Technology Risk is to manage our operational risks caused by the use of technology, including risks associated with cyber security and third party providers, in a manner that seeks to ensure customer information is secure and service disruption is within acceptable levels.

Refer to Note 15 Financial Risk Management for the disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

B8. RISK MANAGEMENT POLICIES (continued)

Other Material Risks

Other Material Risks do not require the same degree of active or transactional management as the Key Material Risks and are managed and monitored as part of the Banking Group's business, strategic and capital management process. The maximum level of risk is set as part of the Banking Group's ICAAP. Refer to Note 22 Capital Management for more information about the Banking Group's ICAAP, and the section 'Capital for other material risks' in Note B4 for the capital held for these risks.

Pension Risk	The risk of the value of investments in a defined benefit pension fund being insufficient to meet liabilities, resulting in additional funds being required to match pension liabilities.
Strategic Equity Risk	The risk of financial loss arising from the unexpected reduction in value of the Banking Group equity investments not held in the trading book, including the Banking Group's joint ventures and associates.
Fixed Asset Risk	The risk of financial loss arising from the negative revaluation of fixed assets owned and leased by the Banking Group, caused by adverse changes in business and/or economic conditions. Residual Value Risk is included in the definition of Fixed Assets, which is the risk that the market value of the underlying assets of operating leases may fall below the anticipated residual value.
Deferred Acquisition Costs Risk	The risk of loss arising from the failure of the benefits associated with the acquisition of interest earning assets to arise due to impairment, transfer, or prepayment.
Software Risk	The risk of financial loss arising from the unexpected accelerated write down of capitalised software expenditure due to diminished future economic benefits caused by adverse business or economic conditions.
Goodwill Risk	The risk of financial loss caused by the reduction in the net carrying value of acquired business resulting from lower than expected future economic benefits due to adverse business and economic conditions.

Capital adequacy
Refer to Note 22 Capital Management for the disclosures required under NZ IAS 1 *Presentation of financial statements*.

Reviews of the Banking Group's risk management systems
Refer to Note 15 Financial Risk Management for details of the Internal Audit Function's reviews of the Banking Group's RMF. These reviews are not conducted by a party external to the Banking Group or the Ultimate Parent Bank.

Internal Audit Function of the Banking Group
The Banking Group has an Internal Audit Function, refer to Note 15 Financial Risk Management for details.

The nature and scope of the responsibilities of the Audit Committee responsibilities, to which Internal Audit reports, are to assist the Board of Directors by providing oversight and review of:
- the Banking Group's financial reporting principles and policies, controls, systems and procedures;
- the effectiveness of the Banking Group's internal control and risk management framework;
- the work and internal audit standards of Internal Audit which reports directly and solely to the Chair of the Audit Committee;
- the integrity of the Banking Group's financial statements and the independent audit thereof, and the Banking Group's compliance with legal and regulatory requirements in relation thereto;
- any due diligence procedures;
- prudential supervision procedures and other regulatory requirements to the extent relating to financial reporting; and
- any other matters referred to it by the Board.

The Audit Committee is also responsible for:
- the appointment, annual evaluation and oversight of the external auditor;
- annual review of the independence, fitness and propriety, and qualifications of the external auditor;
- compensation of the external auditor; and
- where deemed appropriate, replacement of the external auditor.

In carrying out its responsibilities and duties, the Audit Committee will aim to seek fair customer outcomes and financial market integrity in its deliberations.

Measurement of impaired assets
Refer to Note 12 Allowance for Expected Credit Losses and Note 15 Financial Risk Management for details of the Banking Group's approach to measurement of impaired assets. Further to this, impairment is assessed monthly, with individual allowances for credit impairment also updated monthly and collective allowances for credit impairment updated quarterly.

Credit risk mitigation
Refer to Note 18 Offsetting for the policies and processes for, and extent of, on-balance sheet netting. The same policies and processes apply to off-balance sheet credit related commitments. No off-balance sheet credit related commitments or guarantees meet the criteria for netting.

As an AIRB bank, the Banking Group uses the comprehensive method to measure the mitigating effects of collateral.

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. The Banking Group generally takes collateral security in the form of real property or a security interest in personal property, except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance, in the form of housing loans, is generally secured against real estate while short term revolving consumer credit is generally unsecured.

REGISTERED BANK DISCLOSURES

B8. RISK MANAGEMENT POLICIES (continued)

Additional information about credit risk

Implementation of the advanced internal ratings based approach to credit risk measurement

The Banking Group adheres to the standards of risk grading and risk quantification as set out for IRB banks in the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B).

Under this IRB Framework banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

- Probability of Default (PD): An estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring.
- Exposure at Default (EAD): The expected facility exposure at default. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.
- Loss Given Default (LGD): An estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For Retail Mortgage exposures the Bank is required to apply the downturn LGDs according to loan to value (LVR) bands as set out in BS2B. For farm lending exposures the Banking Group is required to adopt RBNZ prescribed downturn LVR based LGDs, along with a minimum maturity of 2.5 years and the removal of the firm-size adjustment.

For exposures classified under Specialised Lending, the Banking Group uses slotting tables approved by RBNZ rather than internal estimates.

The exceptions to IRB treatment are three minor portfolios where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document *Capital Adequacy Framework (Standardised Approach)* (BS2A).

Classification of Banking Group exposures according to rating approach

Internal ratings based approach

IRB Asset Class	Borrower Type	Rating Approach
Sovereign	Crown	IRB - Advanced
	RBNZ	IRB - Advanced
	Any other sovereign and its central bank	IRB - Advanced
Bank	Registered banks	IRB - Advanced
Corporate	Corporation, partnerships or proprietorships that do not fit any other asset classification	IRB - Advanced
	Corporate Small to Medium Enterprises (SME) with turnover of less than NZ$50 million	IRB - Advanced
Retail Mortgages	Individuals' borrowings against residential property	IRB - Advanced
Other Retail	Other lending to individuals (including credit cards)	IRB - Advanced
	SME business borrowers	IRB - Advanced
Corporate sub-class - Specialised lending	Project finance	IRB - Slotting
	Income producing real estate	IRB - Slotting

Standardised approach

Exposure Class	Exposure Type	Reason for Standardised Approach	Future Treatment
Corporate	Merchant card prepayment exposures	System constraints	Move to IRB
	Corporate credit cards	System constraints	Move to IRB
Bank	Qualifying Central Counterparty (QCCP)	Required by BS2B	Standardised
Equity		Required by BS2B	Standardised
Other assets	All other assets not falling within any of the above classes	Required by BS2B	Standardised

Controls surrounding credit risk rating systems

The term "Rating Systems" covers all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

All material aspects of the Rating Systems and risk estimate processes are governed by the BRC. Risk grades are an integral part of reporting to senior management and executives. Management and staff of credit risk functions, in conjunction with the relevant Retail and Wholesale Risk committees, regularly assess the performance of the rating systems, identify any areas for improvement and monitor progress on previously identified development work needed.

The Banking Group's Rating Systems are governed by a comprehensive framework of controls that operate at the business unit and support centres, and through central audit and validation processes. All policies, model designs, model reviews, methodologies, validations, responsibilities, systems and processes supporting the ratings systems are fully documented.

The Banking Group's Retail and Wholesale ratings functions work closely with the Ultimate Parent Bank's risk ratings functions, are independent of operational lending activities and are responsible for the ratings strategies and ongoing management of credit risk models within New Zealand. The annual review of models used across the Banking Group is a function undertaken by the ANZ Decision Model Validation Unit, which is also independent of credit risk operational functions and is responsible for overseeing the design, implementation and performance of all rating models in the Banking Group.

The target approach to modelling for the Banking Group is to deploy the model most suitable for the environment. At present this involves an approach to modelling that combines models developed in New Zealand and models developed by the Ultimate Parent Bank, tested and validated for use in New Zealand, as appropriate.

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 year ended 30 September 2021, after due enquiry, each Director believes that:

- ANZ Bank New Zealand Limited has complied in all material respects with each condition of registration that applied during that period except as noted on page 79[1];
- 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.

1. In accordance with the Order, ANZ Bank New Zealand Limited has complied in all material respects with each of its conditions of registration that applied during the period if the RBNZ has not published any information about a breach on its website, and has not notified ANZ Bank New Zealand Limited of any material breach.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 10 November 2021.

Maile Carnegie

Shayne Elliott

Alison Gerry

Rt Hon Sir John Key, GNZM AC

Scott St John

Mark Verbiest

Antonia Watson

Joan Withers

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDER OF ANZ BANK NEW ZEALAND LIMITED

REPORT ON THE AUDIT OF THE BANKING GROUP'S DISCLOSURE STATEMENT

OPINION

We have audited the accompanying consolidated financial statements and registered bank disclosures of ANZ Bank New Zealand Limited and its related entities (the Banking Group) in section B2, B3, B5, B6, B7 and B8 which comprise:

- the consolidated balance sheet as at 30 September 2021;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order).

In our opinion, the accompanying consolidated financial statements on pages 4 to 69:

- give a true and fair view of the Banking Group's financial position as at 30 September 2021 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards.

In our opinion, the registered bank disclosures that are required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order are included in section B2, B3, B5, B6, B7 and B8 of the Disclosure Statement:

- have been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;
- are in accordance with the books and records of the Banking Group in all material respects; and
- fairly states the matters to which they relate in accordance with those Schedules.

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Banking Group, as far as appears from our examination of those records.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA's (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements and registered bank disclosures in section B2, B3, B5, B6, B7 and B8 section of our report.

Our firm has also provided other services to the Banking Group in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews and agreed upon procedures 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 auditor of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

EMPHASIS OF MATTER - NON-COMPLIANCE WITH CERTAIN CONDITIONS OF REGISTRATION

We draw attention to section B1 of the Disclosure Statement, in which the Banking Group discloses that it has identified non-compliance with aspects of its Conditions of Registration relating to Capital adequacy.

Further details of the matters relating to capital adequacy are described below in our qualified review conclusion on the registered bank disclosures in section B4 relating to capital adequacy and regulatory liquidity ratios.

Our opinion on the consolidated financial statements and registered bank disclosures in sections B2, B3, B5, B6, B7 and B8 is not modified in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Key changes in the assessment of audit risks

COVID-19

The COVID-19 pandemic continues to have an unprecedented and ongoing impact on global markets and the local economy, with effects on the Banking Group's customers, operations and performance. There is an elevated level of estimation uncertainty in the preparation of the Banking Group's consolidated financial statements, where certain accounting estimates are based on forecasts of economic conditions and forward-looking assumptions. There is a considerable degree of judgement involved in preparing these estimates. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to the "Allowance for Expected Credit Losses" and the "Carrying Value of Goodwill", both detailed below. The elevated level of estimation uncertainty in these areas has informed our assessment of a continued and heightened underlying audit risk in these areas and an increase in the extent and nature of audit evidence that we had to gather.

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($707 MILLION)

Refer to the critical accounting estimates, judgements and disclosures in relation to the allowance for expected credit losses in Note 12 to the Consolidated Financial Statements.

The key audit matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the consolidated financial statements and the inherent complexity of the Banking Group's Expected Credit Loss (ECL) models used to measure ECL allowances. These models are reliant on data and a number of estimates including impacts of multiple economic scenarios, and other assumptions such as defining a Significant Increase in Credit Risk (SICR) which in a COVID-19 environment have greater uncertainties.

NZ IFRS 9 requires the Banking Group to measure ECL on a forward-looking basis reflecting a range of future economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments to the ECL results are also made by the Banking Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging both the economic scenarios used and the judgemental overlays that the Banking Group applies to the ECL results.

The Banking Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Banking Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Banking Group in calculating the ECL, and the associated audit risk.

Additionally, the determination of an allowance for individually assessed impairment on Business and Institutional (wholesale) loans requires significant judgement in estimating the expected future cash repayments and proceeds from the value of the collateral held in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Banking Group's significant accounting policies against the requirements of the accounting standard. KPMG Financial Risk Management and Economic specialists were used in ECL audit procedures as a core part of our audit team.

We tested key controls in relation to:

- The Banking Group's ECL model governance and validation processes which involved assessment of model performance;
- The Banking Group's assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Banking Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). We tested the approval of new lending facilities against the Banking Group's lending policies, and controls over the monitoring of counterparty credit quality; and
- The Banking Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We also tested relevant General Information Technology Controls over the key IT applications used by the Banking Group in measuring ECL allowances, as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Banking Group's specialist workout and recovery team, who assessed these as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Banking Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considered the impacts of COVID-19). For each loan sampled, we challenged the Banking Group's CCR and Security Indicator, assessment of loan recoverability, valuation of security and the impact on the credit allowance. To do this, we reviewed the information on the Banking Group's loan file, understood the facts and circumstances of the case with the relationship manager, and performed our own assessment of recoverability. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment, and comparing data and assumptions used by the Banking Group in recoverability assessments to externally sourced evidence, such external property sale information;
- Obtaining an understanding of the Banking Group's processes to determine ECL allowances, evaluating the Banking Group's ECL model

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methodologies against established market practices and criteria in the accounting standards;
- Working with KPMG Financial Risk Management specialists, we assessed the accuracy of the Banking Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently driven calculation tools and comparing this to the amount recorded by the Banking Group;
- Working with our KPMG Economic specialists, we challenged the Banking Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Banking Group's ECL models. We compared the Banking Group's forecast GDP and unemployment rates, to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the Banking Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Banking Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We also challenged key assumptions in the components of the Banking Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Banking Group's ECL model and data deficiencies identified by the Banking Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by COVID-19 and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying portfolio characteristics to loss experience, current market conditions and specific risks inherent in the Banking Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the portfolios against the Banking Group's assessment.

We assessed the appropriateness of the Banking Group's disclosures in the consolidated financial statements using our understanding obtained from our testing and against the requirements of NZ IFRS.

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of Level 2 financial instruments in asset positions $10,593 million

Fair value of Level 2 financial instruments in liability positions $12,155 million

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 16 to the Consolidated Financial Statements.

The key audit matter

The fair value of the Banking Group's financial instruments is determined by the Banking Group through the application of valuation techniques which often involve the exercise of judgement and the use of assumption and estimates.

The valuation of Level 2 financial instruments held at fair value is a key audit matter due to the complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represent 35% of the Banking Group's financial assets carried at fair value and 95% of the Banking Group's financial liabilities carried at fair value.

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

Performing an assessment of the population of financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgment over valuation either due to unobservable inputs or complex models.

We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:

- The Banking Group's data validation controls in relation to Independent Price Verification, including completeness of portfolios and valuation inputs;
- Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
- Controls in relation to the review and challenge of daily profit and loss by a control function;
- Control over the collateral management process, including review of margin reconciliations with clearing houses; and
- Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.

With the assistance of KPMG valuation specialists, we independently revalued a selection of financial instruments and FVAs on level 2 instruments. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models. We challenged the Banking Group where our revaluations significantly differed from the Banking Group's.

We assessed the Banking Group's consolidated financial statement disclosures, including key judgements and assumptions using our understanding obtained from our testing and against NZ IFRS.

IT SYSTEMS AND CONTROLS

The key audit matter

As a major New Zealand bank, the Banking Group's businesses utilise a large number of complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Banking Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Banking Group's IT controls.

How the matter was addressed in our audit

We tested the control environment for key IT applications used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which support the effective operation of technology-enabled business processes. KPMG IT specialists were used throughout the engagement as a core part of our audit team.

Our audit procedures included:

- Assessing the governance and higher-level controls in place across the IT environment, including the approach to the Banking Group policy design, review and awareness;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT application and the supporting infrastructure;
- Design and operating effectiveness testing of controls in place over change management, including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to IT applications across the Banking Group;
- Design and operating effectiveness testing of controls used by the Banking Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs per the ANZ Delivery Framework; and
- Design and operating effectiveness testing of automated business process controls including those that enforce segregation of duties between conflicting roles within IT applications, configurations in place to perform calculations, mappings, and flagging of financial transactions, automated reconciliation controls (both between systems, and intra-system) and data integrity of critical system reporting used by us in our audit to select samples and analysis data used by management to generate financial reporting.

PROVISION FOR CUSTOMER REMEDIATION ($98 MILLION)

Refer to the critical accounting estimates, judgements and disclosures in Note 20 to the Consolidated Financial Statements.

The key audit matter

The Banking Group has assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations, and reviews. This includes provisions for expected refunds to customers and other counterparties, remediation project costs and related customer, counterparty and regulatory claims, penalties, and litigation outcomes.

The provision for customer remediation is a key audit matter due to the judgements required in assessing the Banking Group's determination of:

- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- The number of investigations and the quantum of amounts being paid arising from the present obligations;
- Reliable estimates of the amounts that may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Banking Group's processes for identifying and assessing the potential impact of the investigations into customer remediation payments, related project costs and legal proceedings associated with compliance matters, investigations and reviews from its regulators;
- Enquiring with the Banking Group regarding ongoing legal, and regulatory matters, and investigation into other remediation activities;
- Enquiring with external legal counsel;
- Reading the minutes and other relevant documentation of ANZ Bank New Zealand Limited's Board of Directors and various management committees, and attending ANZ Bank New Zealand Limited's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual matters, assessing the basis for recognition and measurement of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions;
- Testing completeness by evaluating all current customer remediation matters identified by the Banking Group and checking the features of these exposures against the criteria defining a provision or a contingency in the accounting standards; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of NZ IFRS.

CARRYING VALUE OF GOODWILL ($3,006 MILLION)

Refer to the critical accounting estimates, judgements and disclosures in Note 19 to the Consolidated Financial Statements.

The key audit matter

Carrying value of goodwill is a key audit matter where there are a number of judgements required in the determination of the recoverable amount of goodwill, and where the carrying value of goodwill is financially significant at the reporting date.

The Banking Group uses a value-in-use (VIU) approach to estimate the recoverable amount of each Cash Generating Unit (CGU) to which goodwill is allocated. The reasonableness of the recoverable amounts was assessed using an implied market-multiples approach.

The ongoing effects and uncertainties associated with the COVID-19 pandemic continue to increase the potential for impairment and our audit effort in this area remains elevated. There is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and

INDEPENDENT AUDITOR'S REPORT

market-multiples used in the reasonableness assessment.

We focused on the significant forward-looking assumptions the Banking Group applied as part of its annual impairment test as at 28 February 2021, including:

- Revenue growth rates, and terminal growth rates in the VIU model. Available headroom for some CGUs is sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Banking Group's strategy; and
- Discount rates in the VIU model and the control premium in the market-multiples reasonableness assessment. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time.

How the matter was addressed in our audit

We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

Working with our valuation specialists, our procedures included:

- In accordance with accounting standards, assessing the reasonableness of the amounts allocated to the CGUs to which the Banking Group allocated goodwill;
- Considering the appropriateness of the valuation method applied by the Banking Group to perform their annual test for impairment against the requirements of the accounting standards;
- Assessing the integrity of the VIU model used by the Banking Group, including the accuracy of the underlying calculation formulae;
- Assessing the accuracy of previous Banking Group forecasts to inform our evaluation of forecasts incorporated in the VIU model;
- For each CGU, assessing the Banking Group's key assumptions used in the VIU model, including discount rates, revenue growth rates, and terminal growth rates by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- Stress testing key VIU assumptions to consider reasonably possible alternatives;
- Comparing the forecast cash flows contained in the model to the revised Operational forecast, reflecting the continued low interest rate environment, the increased regulatory minimum capital requirements and COVID-19 impacts;
- Assessing key assumptions used in the market-multiples reasonableness assessment, which we assessed as being equivalent to a fair value less costs of disposal approach. These assumptions included future maintainable earnings, the control premium comparing the implied multiples from comparable market transactions to the implied multiples used in the VIU model;
- Determining whether there is sufficient appropriate evidence to support the Banking Group's conclusion that there is no impairment in goodwill associated with any CGU;
- Assessing the reasonableness of the Banking Group's review for potential internal and external indicators of impairment. This review considered the period from the annual impairment test as at 28 February 2021 up to financial year end; and
- Assessing the disclosures in the financial statements against the requirements of the accounting standards.

OTHER INFORMATION

The Directors, on behalf of the Banking Group, are responsible for the general disclosures required to be included in the Banking Group's Disclosure Statement in accordance with Schedule 2 of the Order (section B1).

Our opinion on the consolidated financial statements does not cover section B1 (referred to as 'other information') and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTION B1, B2, B3, B5, B6, B7 AND B8

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with Clause 24 of the Order, NZ IFRS and International Financial Reporting Standards;
- the preparation and fair presentation of supplementary information, in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are 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 AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND REGISTERED BANK DISCLOSURES IN SECTION B2, B3, B5, B6, B7 AND B8

Our objective is:

- to obtain reasonable assurance about whether the Disclosure Statement, including the consolidated financial statements prepared in accordance with Clause 24 of the Order, and registered bank disclosures in section B2, B3, B5, B6, B7 and B8, prepared in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (the XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

QUALIFIED REVIEW CONCLUSION ON THE REGISTERED BANK DISCLOSURES IN SECTION B4 RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS (SECTION B4)

Based on our review, with the exception of the matter described below, nothing has come to our attention that causes us to believe that the information relating to capital adequacy and regulatory liquidity ratios, disclosed in section B4 of the Disclosure Statement, is not, in all material respects disclosed in accordance with Schedule 11 of the Order.

We have reviewed the registered bank disclosures, as disclosed in section B4 of the Disclosure Statement for the year ended 30 September 2021, which are required to be disclosed in accordance with Schedule 11 of the Order.

BASIS FOR QUALIFIED CONCLUSION ON THE REGISTERED BANK DISCLOSURES IN SECTION B4

A review of the registered bank disclosures in section B4 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, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our responsibilities under that standard are further described in the Auditor's Responsibilities for the Review of the registered bank disclosures in section B4 of our report.

As the auditor of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

As described in section B1, the Banking Group has previously identified that it was not compliant with Condition of Registration 1B in relation to the implementation of 17 rating models and processes that were not approved by the Reserve Bank of New Zealand (the RBNZ). As at 30 September 2021, 16 of these models had been submitted to the RBNZ for approval, with four of these approved. Nine models were approved in October 2021, subsequent to the reporting date. The four remaining unapproved models are Bank rating; Project and structured finance; Commercial property: hotels; and Commercial property: special purpose asset investment.

In this respect, the Capital Adequacy Ratios disclosed in section B4 of the Disclosure Statement have not been disclosed in accordance with Schedule 11 of the Order. Section B1 outlines the Banking Group's assessment of the historic impact on risk weighted assets at the time this matter was first reported in the Banking Group's disclosure statement. The Banking Group is working with the RBNZ to remediate this matter.

The above matters do not affect the Regulatory Liquidity information, which is also disclosed in section B4.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE REGISTERED BANK DISCLOSURES IN SECTION B4

The Directors, on behalf of the Banking Group, are responsible for the preparation of the registered bank disclosures in section B4, that is required to be prepared in accordance with Schedule 11 of the Order.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE REGISTERED BANK DISCLOSURES IN SECTION B4

Our responsibility is to express a conclusion on the registered bank disclosures in section B4 based on our review. We conducted our review in accordance with NZ SRE 2410 issued by the New Zealand External Reporting Board. As the auditor of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements, and plan and perform the review to obtain limited assurance about whether the registered bank disclosures in section B4 is, in all material respects, disclosed in accordance with Schedule 11 of the Order.

A review of the registered bank disclosures in section B4 in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISAs (NZ). Accordingly we do not express an audit opinion on the registered bank disclosures in section B4.

USE OF THIS INDEPENDENT AUDITOR'S REPORT

This independent auditor's report is made solely to the shareholder of the Banking Group. Our work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's 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 as a body for our work, this independent auditor's report, or any of the opinions or conclusions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Munro.

For and on behalf of

KPMG

KPMG
Auckland

10 November 2021

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ANZ NEW ZEALAND (INT'L) LIMITED
INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

INTERIM FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March	Note	2023 NZ$m	2022 NZ$m
Interest income		206	129
Interest expense		(202)	(125)
Profit before credit impairment and income tax		4	4
Credit impairment release / (charge)	2	3	(2)
Profit before income tax		7	2
Income tax expense		(2)	(1)
Profit for the period		5	1

There are no items of other comprehensive income.

BALANCE SHEET

As at	Note	31 Mar 23 NZ$m	30 Sep 22 NZ$m
Assets			
Due from the Parent Company	2	18,569	20,752
Total assets		18,569	20,752
Liabilities			
Commercial paper		2,769	2,964
Current tax liabilities		2	1
Debt issuances	3	15,778	17,772
Total liabilities		18,549	20,737
Net assets		20	15
Equity			
Retained earnings		20	15
Total Equity		20	15

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

CASH FLOW STATEMENT

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
Cash flows from operating activities		
Interest received	203	140
Interest paid	(199)	(136)
Tax paid	(1)	-
Net cash flows provided by operating activities	3	4
Cash flows from investing activities		
Decrease in due from the Parent Company	1,112	384
Net cash flows provided by investing activities	1,112	384
Cash flows from financing activities		
Proceeds from debt issuances	-	2,680
Redemption of debt issuances	(1,189)	(3,600)
Net proceeds from commercial paper	74	532
Net cash flows used in financing activities	(1,115)	(388)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	-	-
Cash and cash equivalents at end of the period	-	-

STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March	2023 NZ$m	2022 NZ$m
Total equity (retained earnings)		
Opening balance	15	14
Profit for the period	5	1
Closing balance	20	15

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as applicable to interim financial statements. ANZ New Zealand (Int'l) Limited (the Company) is a publicly accountable for-profit entity for the purposes of complying with NZ GAAP.

These financial statements comply with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the financial statements for the year ended 30 September 2022.

These financial statements were approved by the Board of Directors on 11 May 2023.

Use of estimates and assumptions

The preparation of these financial statements requires the use of management judgement, estimates and assumptions impacting the application of accounting policies and financial outcomes. 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.

Allowance for expected credit losses

During the six months ended 31 March 2023 the collectively assessed allowance for expected credit losses (ECL) decreased by NZ$3 million, mainly reflecting changes in maturity profile of amounts due from the Parent Company since 30 September 2022.

The global economy is facing challenges associated with high inflation, increasing interest rates, labour market constraints, and continuing geopolitical tensions which contributes to an elevated level of estimation uncertainty involved in the preparation of these financial statements.

Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact ECL.

Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars.

Changes in accounting policies

The accounting policies applied by the Company are consistent with those applied and disclosed in the previous full year financial statements.

2. RELATED PARTY TRANSACTIONS

Commercial paper and debt issuances are guaranteed by the Parent Company. Debt issuances, other than covered bonds, are otherwise unsecured and rank equally with other unsecured liabilities.

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised, and are net of an allowance for ECL of NZ$8 million (30 September 2022: NZ$11 million).

Covered Bonds

As at 31 March 2023, covered bonds of NZ$4,334 million (30 September 2022: NZ$4,292 million) included in debt issuances were guaranteed by ANZNZ Covered Bond Trust Limited as trustee of ANZNZ Covered Bond Trust (the Trust) under the terms of the Parent Company's covered bond programme.

Substantially all of the assets of the Trust are made up of certain housing loans and related securities originated by the Parent Company which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Trust of issuances of covered bonds by the Company, or the Parent Company, from time to time. The assets of the Trust are not available to creditors of the Company or the Parent Company, although the Company or the Parent Company (or its liquidator or statutory manager) may have a claim against the residual assets of the Trust (if any) after all prior ranking creditors of the Trust have been satisfied.

3. DEBT ISSUANCES

	31 Mar 23 NZ$m	30 Sep 22 NZ$m
U.S. medium-term notes	7,174	9,196
Euro medium-term notes	4,270	4,284
Covered bonds	4,334	4,292
Total debt issued	15,778	17,772

4. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities not measured at fair value

No assets or liabilities are carried at fair value. Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is considered a reasonable approximation of fair value:

	31 Mar 23		30 Sep 22	
	Carrying amount NZ$m	Fair value NZ$m	Carrying amount NZ$m	Fair value NZ$m
Financial assets				
Due from Parent Company	18,569	17,470	20,752	19,406
Financial liabilities				
Commercial paper	2,769	2,771	2,964	2,962
Debt issuances	15,778	14,677	17,772	16,428

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

Independent review report

To the shareholder of ANZ New Zealand (Int'l) Limited

Report on the interim financial statements

Conclusion

We have completed a review of the accompanying interim financial statements of ANZ New Zealand (Int'l) Limited (the "Company'), which comprise:

- the balance sheet as at 31 March 2023;
- the statements of comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 2 to 5 do not present, in all material respects, the Company's financial position as at 31 March 2023 and its financial performance and cash flows for the six month period ended on that date, in compliance with NZ IAS 34 *Interim Financial Reporting* ("NZ IAS 34").

Basis for conclusion

A review of interim financial statements 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 the Company, 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 Company in relation to prospectus reviews and assurance services. These matters have not impaired our independence as reviewer of the Company. The firm has no other relationship with, or interest in, the Company.

Use of this Independent review report

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

KPMG

Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34;
- implementing necessary internal control to enable the preparation of an interim financial statements that is 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 interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34.

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 these interim financial statements.

This description forms part of our Independent review report.

KPMG

KPMG
Auckland

11 May 2023

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ANZ NEW ZEALAND (INT'L) LIMITED
ANNUAL ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	Note	2022 NZ$m	2021 NZ$m
Interest income	6	290	277
Interest expense	2	(283)	(270)
Net interest income		7	7
Profit before credit impairment and income tax		7	7
Credit impairment release / (charge)		(3)	3
Profit before income tax		4	10
Income tax expense	3	(3)	(2)
Profit after income tax		1	8

There are no items of other comprehensive income.

BALANCE SHEET

As at 30 September	Note	2022 NZ$m	2021 NZ$m
Assets			
Due from the Parent Company	6	20,752	21,218
Total assets		20,752	21,218
Liabilities			
Commercial paper	4	2,964	4,432
Current tax liabilities		1	1
Debt issuances	5	17,772	16,771
Total liabilities		20,737	21,204
Net assets		15	14
Equity			
Retained profits		15	14
Total equity	8	15	14

These annual accounts were approved by the Board of Directors on 11 November 2022.

For and on behalf of the Board of Directors:

Chris O'Neale
Director
11 November 2022

CASH FLOW STATEMENT

For the year ended 30 September	2022 NZ$m	2021 NZ$m
Cash flows from operating activities		
Interest received	276	288
Interest paid	(269)	(281)
Tax paid	(3)	(2)
Net cash flows provided by operating activities	4	5
Cash flows from investing activities		
(Increase) / decrease in due from the Parent Company	241	(1,687)
Net cash flows (used in) / provided by investing activities	241	(1,687)
Cash flows from financing activities		
Proceeds from debt issuances	2,674	2,685
Redemption of debt issuances	(3,600)	(3,654)
Net proceeds from commercial paper	681	2,651
Net cash flows (used in) / provided by financing activities	(245)	1,682
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	1	8
Non-cash items:		
Credit impairment charge / (release)	3	(3)
Other adjustments:		
Change in accrued interest receivable	(14)	11
Change in accrued interest payable	14	(11)
Net cash flows provided by operating activities	4	5

STATEMENT OF CHANGES IN EQUITY

	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2020	6	6
Profit or loss	8	8
As at 30 September 2021	14	14
As at 1 October 2021	14	14
Profit or loss	1	1
As at 30 September 2022	15	15

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Tax Administration Act 1994 (New Zealand) and The Overseas Companies Regulations 2009 (United Kingdom), and comply with:

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

These financial statements have been audited in accordance with International Standards on Auditing (New Zealand), as issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board.

ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand. The Company is a wholly owned subsidiary of ANZ Bank New Zealand Limited (the Parent Company) and the ultimate parent company is Australia and New Zealand Banking Group Limited, which is incorporated in Victoria, Australia.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Allowance for expected credit losses

During the year ended 30 September 2022, the collectively assessed allowance for expected credit losses (ECL) increased by NZ$3 million, reflecting the downside risks associated with the economic outlook.

Whilst the course of the COVID-19 pandemic is moderating and the management of its impact on the populace, businesses and economic activity is better understood, the responses of consumers, business and governments remain uncertain. Compounding the effects of the pandemic are mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, commodity price pressures, and increasing inflation and interest rates impacting the economy. Thus, there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact ECL.

(iii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Rounding

The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(v) Changes in accounting policies

Debt issuances are now presented including accrued interest, and accrued interest as at 30 September 2021 of NZ$9m has been reclassified to debt issuances.

There have been no other changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(vi) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the statement of comprehensive income in the period in which they arise.

(b) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax

(i) Income tax expense

Income tax on profits for the period comprises current and deferred tax. It is recognised in the statement of comprehensive income as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(d) Recognition and derecognition of financial assets and financial liabilities

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper and debt issuances.

The Company recognises a financial asset or liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets and financial liabilities are initially recognised at fair value including directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Derecognition

The Company derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Company derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(e) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where:

- there is a current enforceable legal right to offset the asset and liability; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Cash flow statement

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and immediately lent to the Parent Company.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

As the principal activity of the Company is the raising of external funding, which is on-lent to the Parent Company at a margin, and the majority of its revenue is not earned from external customers, the Company does not have any reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

2. INTEREST EXPENSE

	2022 NZ$m	2021 NZ$m
Commercial paper	36	9
Debt issuances	247	261
Total interest expense	283	270

3. INCOME TAX

	2022 NZ$m	2021 NZ$m
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	4	10
Prima facie income tax at 28%	1	3
Tax effect of non-deductible / (non-taxable) credit impairment charge	1	(1)
Income tax under provided in previous years	1	-
Total income tax expense	3	2
Amounts recognised in the statement of comprehensive income		
Current tax	3	2
Total income tax expense recognised in the statement of comprehensive income	3	2

4. COMMERCIAL PAPER

Commercial paper comprises issuances under the Company's U.S. Commercial paper programme and is guaranteed by the Parent Company.

5. DEBT ISSUANCES

	2022 NZ$m	2021 NZ$m
U.S. medium term notes	9,196	7,645
Euro medium term notes	4,284	4,914
Covered bonds	4,292	4,212
Total debt issued	17,772	16,771

Debt issuances are guaranteed by the Parent Company. Debt issuances, other than covered bonds, are otherwise unsecured and rank equally with other unsecured liabilities.

Covered Bonds

Substantially all of the assets of the ANZNZ Covered Bond Trust (the Trust) are made up of certain housing loans and related securities originated by the Parent Company which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Trust for issuances of covered bonds by the Company, or the Parent Company, from time to time. The assets of the Trust are not available to creditors of the Company or the Parent Company, although the Company or the Parent Company (or its liquidator or statutory manager) may have a claim against the residual assets of the Trust (if any) after all prior ranking creditors of the Trust have been satisfied.

6. RELATED PARTY TRANSACTIONS

Transactions with other related parties

The Company undertakes transactions with the Parent Company and other members of the Australia and New Zealand Banking Group Limited group of companies (ANZ Group). These transactions principally consist of funding transactions. Other members of the ANZ Group provide administrative functions, including remuneration of key management personnel, to the Company for which no payments have been made.

All interest income is from the Parent Company. Audit fees and fees for other services have been paid to the auditors by the Parent Company without reimbursement.

	2022 NZ$000	2021 NZ$000
Audit or review of financial statements	41	39
Audit related services:		
Offer documents assurance or reviews	129	117
Other assurance services	18	17
Total audit related services	147	134
Total fees paid to auditors by the Parent Company	188	173

Balances with related parties

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised, and are net of an allowance for expected credit losses of NZ$11 million (2021: NZ$8 million). The change in the allowance for expected credit losses for the year ended 30 September 2022 was a charge of NZ$3 million (2021: release of NZ$3 million).

As at 30 September 2022, ANZ Group held NZ$2 million (2021: NZ$1 million) of the Company's debt issuances.

7. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following is an analysis of asset and liability line items in the balance sheet that combine amounts expected to be realised or due to be settled within one year and after more than one year.

	2022			2021		
	within one year NZ$m	after more than one year NZ$m	Total NZ$m	within one year NZ$m	after more than one year NZ$m	Total NZ$m
Assets						
Due from Parent Company	6,056	14,696	20,752	8,018	13,200	21,218
Liabilities						
Debt issuances	3,076	14,696	17,772	3,571	13,200	16,771

8. EQUITY

Capital management policies

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide funding for the Parent Company and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital comprises issued share capital and retained earnings. The Company manages its capital by distributing its retained profits to the Parent Company.

Ordinary share capital

The Company's share capital consists of 500,000 (2021: 500,000) fully paid ordinary shares that have the rights and powers prescribed by Section 36 of the Companies Act 1993. The shares have a carrying value of NZ$499,900.

There were no dividends paid on ordinary shares during the year (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT

Financial instruments are entered into by the Company in its operations as a financial intermediary. The Company's operations are match funded to minimise interest rate, currency and liquidity risks.

There are no material off balance sheet instruments. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting. Risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

The Company's principal exposure is to the Parent Company and the carrying amount represents the Company's maximum and net exposure to credit risk.

Market risk

Interest rate risk

Interest rate risk relates to the potential adverse impact of changes in market interest rates on future net interest income of the Company.

The Company manages its interest rate risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company. As a result a 1% rate shock would not have any material impact on profit or loss.

Currency risk

Currency risk arises from changes in foreign exchange rates impacting on residual currency positions that may result from the Company's business as a financial intermediary.

Currency risk is monitored in terms of open positions to each currency, based on nominal value and the duration of each exposure. The total amount of foreign currency exposures, whether recognised or unrecognised, within each currency is not material.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations on commercial paper and debt issuances when they fall due.

The Company manages its liquidity risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company.

The table below provides residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. All outstanding debt issuance is profiled on the earliest date on which the Company 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.

2022	Total NZ$m	Less than 3 months NZ$m	3-12 months NZ$m	1-5 years NZ$m	Beyond 5 years NZ$m	No specified maturity NZ$m
Liabilities						
Commercial paper	2,983	2,261	722	-	-	-
Debt issuances	18,831	36	3,315	12,237	3,243	-
Total financial liabilities	21,814	2,297	4,037	12,237	3,243	-
2021						
Commercial paper	4,435	2,181	2,254	-	-	-
Debt issuances	17,706	12	3,766	9,021	4,907	-
Total financial liabilities	22,141	2,193	6,020	9,021	4,907	-

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

No assets or liabilities are carried at fair value. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

- for accrued interest payable, the carrying amount is equivalent to the fair value.
- for all other financial assets and financial liabilities, estimated fair values are based on market rates.

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is considered a reasonable approximation of fair value:

	2022		2021	
	Carrying amount NZ$m	Fair value NZ$m	Carrying amount NZ$m	Fair value NZ$m
Financial assets				
Due from the Parent Company	20,752	19,406	21,218	21,629
Financial liabilities				
Commercial paper	2,964	2,962	4,432	4,433
Debt issuances	17,772	16,428	16,771	17,181

Independent auditor's report

To the shareholder of ANZ New Zealand (Int'l) Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements which comprise:

- the balance sheet as at 30 September 2022;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of ANZ New Zealand (Int'l) Limited (the "Company") on pages 1 to 8:

i. present fairly in all material respects the Company's financial position as at 30 September 2022 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Our firm has also provided audit-related services to the Company in relation to prospectus reviews and assurance services. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interests in, the Company.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's 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 as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements 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 audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (the "XRB") website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

KPMG

KPMG
Auckland

11 November 2022

anz.co.nz

ANZ NEW ZEALAND (INT'L) LIMITED
ANNUAL ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	Note	2021 NZ$m	2020 NZ$m
Interest income	6	277	421
Interest expense	2	(270)	(412)
Net interest income		7	9
Operating expenses		-	(1)
Profit before credit impairment and income tax		7	8
Credit impairment release / (charge)		3	(4)
Profit before income tax		10	4
Income tax expense	3	(2)	(2)
Profit after income tax		8	2

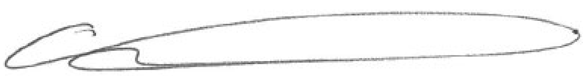
There are no items of other comprehensive income.

BALANCE SHEET

As at 30 September	Note	2021 NZ$m	2020 NZ$m
Assets			
Due from the Parent Company	6	21,218	20,649
Total assets		21,218	20,649
Liabilities			
Accrued interest payable		9	20
Commercial paper	4	4,432	1,747
Current tax liabilities		1	1
Debt issuances	5	16,762	18,875
Total liabilities		21,204	20,643
Net assets		14	6
Equity			
Retained profits		14	6
Total equity	8	14	6

These annual accounts were approved by the Board of Directors on 10 November 2021.

For and on behalf of the Board of Directors:



Chris O'Neale
Director
10 November 2021

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

CASH FLOW STATEMENT

For the year ended 30 September	2021 NZ$m	2020 NZ$m
Cash flows from operating activities		
Interest received	288	424
Interest paid	(281)	(415)
Operating expenses	-	(1)
Tax paid	(2)	(2)
Net cash flows provided by operating activities	5	6
Cash flows from investing activities		
(Increase) / decrease in due from the Parent Company	(1,687)	1,124
Net cash flows (used in) / provided by investing activities	(1,687)	1,124
Cash flows from financing activities		
Proceeds from debt issuances	2,685	2,327
Redemption of debt issuances	(3,654)	(2,786)
Increase / (decrease) in commercial paper	2,651	(671)
Net cash flows provided by / (used in) financing activities	1,682	(1,130)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	8	2
Non-cash items:		
Credit impairment charge / (release)	(3)	4
Other adjustments:		
Change in accrued interest receivable	11	3
Change in accrued interest payable	(11)	(3)
Net cash flows provided by operating activities	5	6

STATEMENT OF CHANGES IN EQUITY

	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2019	4	4
Profit or loss	2	2
As at 30 September 2020	6	6
As at 1 October 2020	6	6
Profit or loss	8	8
As at 30 September 2021	14	14

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Tax Administration Act 1994 (New Zealand) and The Overseas Companies Regulations 2009 (United Kingdom), and comply with:

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

These financial statements have been audited in accordance with International Standards on Auditing (New Zealand), as issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board.

ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand. The Company is a wholly owned subsidiary of ANZ Bank New Zealand Limited (the Parent Company) and the ultimate parent company is Australia and New Zealand Banking Group Limited, which is incorporated in Victoria, Australia.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Allowance for expected credit losses and coronavirus (COVID-19) pandemic

During the year ended 30 September 2021, the collectively assessed allowance for expected credit losses (ECL) decreased by NZ$3 million, reflecting the impact of an improved economic outlook since 30 September 2020.

The uncertain evolution of the COVID-19 pandemic increases the risk to the forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers in the ongoing management of the virus;
- the impact and expected response of the economy (and forecasts of key economic factors including GDP, employment and house prices). This includes the response of capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts; and
- the efficacy of vaccines against variants of the virus, and the effectiveness of government and central bank measures to support businesses and consumers through this disruption.

Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact ECL.

(iii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Rounding

The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(v) Changes in accounting policies

There have been no changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(vi) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the statement of comprehensive income in the period in which they arise.

(b) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax

(i) Income tax expense

Income tax on profits for the period comprises current and deferred tax. It is recognised in the statement of comprehensive income as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(d) Recognition and derecognition of financial assets and financial liabilities

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper and debt issuances.

The Company recognises a financial asset or liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets and financial liabilities are initially recognised at fair value including directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Derecognition

The Company derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Company derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(e) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where:

- there is a current enforceable legal right to offset the asset and liability; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Cash flow statement

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and immediately lent to the Parent Company.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

As the principal activity of the Company is the raising of external funding, which is on-lent to the Parent Company at a margin, and the majority of its revenue is not earned from external customers, the Company does not have any reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

2. INTEREST EXPENSE

	2021 NZ$m	2020 NZ$m
Commercial paper	9	50
Debt issuances	261	362
Total interest expense	270	412

3. INCOME TAX

	2021 NZ$m	2020 NZ$m
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	10	4
Prima facie income tax at 28%	3	1
Tax effect of non-deductible / (non-taxable) credit impairment charge	(1)	1
Total income tax expense	2	2
Amounts recognised in the statement of comprehensive income		
Current tax	2	2
Total income tax expense recognised in the statement of comprehensive income	2	2

4. COMMERCIAL PAPER

Commercial paper comprises issuances under the Company's U.S. Commercial paper programme and is guaranteed by the Parent Company.

5. DEBT ISSUANCES

	2021 NZ$m	2020 NZ$m
U.S. medium term notes	7,634	9,496
Euro medium term notes	4,912	4,923
Covered bonds	4,216	4,456
Total debt issued	16,762	18,875

Debt issuances are guaranteed by the Parent Company. Debt issuances, other than covered bonds, are otherwise unsecured and rank equally with other unsecured liabilities.

Covered Bonds

Substantially all of the assets of the ANZNZ Covered Bond Trust (the Trust) are made up of certain housing loans and related securities originated by the Parent Company which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Trust for issuances of covered bonds by the Company, or the Parent Company, from time to time. The assets of the Trust are not available to creditors of the Company or the Parent Company, although the Company or the Parent Company (or its liquidator or statutory manager) may have a claim against the residual assets of the Trust (if any) after all prior ranking creditors of the Trust have been satisfied.

6. RELATED PARTY TRANSACTIONS

Transactions with other related parties

The Company undertakes transactions with the Parent Company and other members of the Australia and New Zealand Banking Group Limited group of companies (ANZ Group). These transactions principally consist of funding transactions. Other members of the ANZ Group provide administrative functions, including remuneration of key management personnel, to the Company for which no payments have been made.

All interest income is from the Parent Company. Audit fees and fees for other services have been paid to the auditors by the Parent Company without reimbursement.

	2021 NZ$000	2020 NZ$000
Audit or review of financial statements	39	39
Audit related services:		
Offer documents assurance or reviews	117	94
Other assurance services	17	17
Total audit related services	134	111
Total fees paid to auditors by the Parent Company	173	150

Balances with related parties

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised, and are net of an allowance for expected credit losses of NZ$8 million (2020: NZ$11 million). The change in the allowance for expected credit losses for the year ended 30 September 2021 was a release of NZ$3 million (2020: charge of NZ$4 million).

As at 30 September 2021, ANZ Group held NZ$1 million (2020: NZ$31 million) of the Company's debt issuances.

7. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following is an analysis of asset and liability line items in the balance sheet that combine amounts expected to be realised or due to be settled within one year and after more than one year.

	2021			2020		
	within one year NZ$m	after more than one year NZ$m	Total NZ$m	within one year NZ$m	after more than one year NZ$m	Total NZ$m
Assets						
Due from Parent Company	8,018	13,200	21,218	5,882	14,767	20,649
Liabilities						
Debt issuances	3,562	13,200	16,762	4,108	14,767	18,875

8. EQUITY

Capital management policies

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide funding for the Parent Company and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital comprises issued share capital and retained earnings. The Company manages its capital by distributing its retained profits to the Parent Company.

Ordinary share capital

The Company's share capital consists of 500,000 (2020: 500,000) fully paid ordinary shares that have the rights and powers prescribed by Section 36 of the Companies Act 1993. The shares have a carrying value of NZ$499,900.

There were no dividends paid on ordinary shares during the year (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT

Financial instruments are entered into by the Company in its operations as a financial intermediary. The Company's operations are match funded to minimise interest rate, currency and liquidity risks.

There are no material off balance sheet instruments. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting. Risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

The Company's principal exposure is to the Parent Company and the carrying amount represents the Company's maximum and net exposure to credit risk.

Market risk

Interest rate risk

Interest rate risk relates to the potential adverse impact of changes in market interest rates on future net interest income of the Company.

The Company manages its interest rate risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company. As a result a 1% rate shock would not have any impact on profit or loss.

Currency risk

Currency risk arises from changes in foreign exchange rates impacting on residual currency positions that may result from the Company's business as a financial intermediary.

Currency risk is monitored in terms of open positions to each currency, based on nominal value and the duration of each exposure. The total amount of foreign currency exposures, whether recognised or unrecognised, within each currency is not material.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations on commercial paper and debt issuances when they fall due.

The Company manages its liquidity risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company.

The table below provides residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. All outstanding debt issuance is profiled on the earliest date on which the Company 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.

2021	Total NZ$m	Less than 3 months NZ$m	3-12 months NZ$m	1-5 years NZ$m	Beyond 5 years NZ$m	No specified maturity NZ$m
Liabilities						
Commercial paper	4,435	2,181	2,254	-	-	-
Debt issuances	17,706	12	3,766	9,021	4,907	-
Total financial liabilities	22,141	2,193	6,020	9,021	4,907	-
2020						
Commercial paper	1,749	912	837	-	-	-
Debt issuances	20,032	5	4,384	11,741	3,902	-
Total financial liabilities	21,781	917	5,221	11,741	3,902	-

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

No assets or liabilities are carried at fair value. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

- for accrued interest payable, the carrying amount is equivalent to the fair value.
- for all other financial assets and financial liabilities, estimated fair values are based on market rates.

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is considered a reasonable approximation of fair value:

	2021		2020	
	Carrying amount NZ$m	Fair value NZ$m	Carrying amount NZ$m	Fair value NZ$m
Financial assets				
Due from the Parent Company	21,218	21,629	20,649	21,341
Financial liabilities				
Commercial paper	4,432	4,433	1,747	1,748
Debt issuances	16,762	17,172	18,875	19,566

Independent auditor's report

To the shareholder of ANZ New Zealand (Int'l) Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements which comprise:

- the balance sheet as at 30 September 2021;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of ANZ New Zealand (Int'l) Limited (the "Company") on pages 1 to 8:

i. present fairly in all material respects the Company's financial position as at 30 September 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided audit-related services to the Company in relation to prospectus reviews and assurance services. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interests in, the Company.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's 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 as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements 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 audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (the "XRB") website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

KPMG

KPMG
Auckland

10 November 2021

anz.co.nz

Annex B—Form of Final Terms

ANZ New Zealand (Int'l) Limited /ANZ Bank New Zealand Limited US$10,000,000,000 Medium-Term Notes, Series A, Offering Memorandum dated June 1, 2023 (the "Offering Memorandum").

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of [the Agents'/each relevant Agent's] product approval process as [a] MiFID II [(as defined below)] "manufacturer[s]", the target market assessment completed by the relevant [Agents/Agent] in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (an "EU distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, an EU distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels. The Issuer is not subject to MiFID II and any implementation thereof by a member state of the European Union. The Issuer is therefore not a "manufacturer" for the purposes of the MiFID II Product Governance Rules under EU Delegated Directive 2017/593 and has no responsibility or liability for identifying a target market, or any other product governance obligation set out in MiFID II, for financial instruments it issues (including the foregoing target market assessment for the Notes described in this legend).]

[**UK MiFIR product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the Agents'/each relevant Agent's] product approval process as [a] UK MiFIR [(as defined below)] "manufacturer[s]", the target market assessment completed by the relevant [Agents/Agent] in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "UK distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels. The Issuer is not subject to UK MiFIR. The Issuer is therefore not a "manufacturer" for the purposes of the UK MiFIR Product Governance Rules and has no responsibility or liability for identifying a target market, or any other product governance obligation set out in UK MiFIR for financial instruments it issues (including the foregoing target market assessment for the Notes described in this legend).]

[This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK Prospectus Regulation"), and must be read in conjunction with the Offering Memorandum [and the supplements[s] dated [•], which constitutes a base prospectus for the purposes of the UK Prospectus Regulation. Full information on ANZ New Zealand (Int'l) Limited/ANZ Bank New Zealand Limited and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum [and the supplement[s] dated [•].

The Offering Memorandum [and the supplement[s] dated [•] is [are] available for viewing during normal business hours at Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand [and copies may be obtained from Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand].] / [This document constitutes the Final Terms of the Notes described herein for the purposes of [Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK Prospectus Regulation")][UK Prospectus Regulation] and must be read in conjunction with the Offering Memorandum [and the supplement[s] dated [•], which constitutes a base prospectus for the purposes of the UK Prospectus Regulation, including the terms and conditions of the Notes as set out in the section entitled "Description of the Notes and the

Guarantee” in the Offering Memorandum dated []. Full information on ANZ New Zealand (Int'l) Limited/ANZ Bank New Zealand Limited and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum [and the supplement[s] dated [•]. The Offering Memorandum [and the supplement[s] dated [•]is [are] available for viewing during normal business hours at Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand [and copies may be obtained from Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand].]

[Notification under Section 309B(1) of the Securities and Futures Act 2001 of Singapore (the “SFA”): The Issuer has determined and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms—dated [ ]

In terms of the Amended and Restated Fiscal Agency Agreement dated as of [December 3, 2021], as amended, the Issuer wishes to advise the following in respect of the latest issue of Notes.

Deal Reference MTN:	[ ]
Issuer:	[ANZ New Zealand (Int’l) Limited (Legal Entity Identifier (“LEI”): HZSN7FQBPO5IEWYIGC72)] OR [ANZ Bank New Zealand Limited (Legal Entity Identifier (“LEI”): 213800VD256NU2D97H12)]
[Guarantor]	[ANZ Bank New Zealand Limited]
Principal Amount and Specified Currency:	[US$[ ]] OR [ ]
Subordinated Notes:	[Applicable] OR [Not Applicable]
Option to receive payment in Specified Currency:	[Not Applicable] OR [ ]
Type of Note:	[Rule 144A Global Note] OR [Regulation S Global Note] OR [Rule 144A Global Note and Regulation S Global Note]
Date on which the Notes will be consolidated to form a single series:	[The Notes will be consolidated and form a single series with [] on the [Issue Date].] [Not Applicable]
Issue Date:	[ ]
Stated Maturity:	[ ]
Redemption:	[No redemption at the option of the Issuer prior to Stated Maturity (other than for a Senior Notes Tax Event)] OR [At option of the Issuer] *(for Subordinated Notes only)* [At option of the Issuer on or after [a Subordinated Notes Regulatory Event or Subordinated Notes Tax Event].] [At the option of the Issuer on or after [*insert date*].] [*The early redemption date (other than for a Subordinated Notes Regulatory Event or Subordinated Notes Tax Event) must not be earlier than five years from the Issue Date.*] Any early redemption of Subordinated Notes will be subject to the prior written approval of the RBNZ.
Repayment:	(*for Senior Notes only*) [No repayment at the option of the holders prior to Stated Maturity] OR [At option of holders -]
Fixed Rate Notes:	[Applicable/Not Applicable]
Interest Rate Basis:	[Fixed Rate] OR [Fixed Reset Rate]
Interest Rate:	[ ]% per annum [in respect of each interest period comprised in the period from and including the Issue Date to but excluding the [first] Interest Reset Date and a fixed rate (expressed as a percentage per annum) equaling the sum of the Reset Rate on the relevant Reset Determination Date plus the Reset Spread in respect of each interest period comprised in the period from and including the [first] Interest Reset Date to but excluding the Stated Maturity]
Interest Rate Reset Provisions:	[Applicable/Not Applicable]
Reset Rate:	[U.S. Treasury Rate] OR [Other: [specify rate]]
Reset Spread:	
Interest Reset Date(s):	

Reset Determination Date(s):	
Index Maturity:	
Designated page:	[H.15/specify other/Not Applicable]
Interest Rate Frequency:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]
Regular Record Date(s):	[The [ ]th calendar day prior to the relevant Interest Payment Date]
Interest Payment Dates:	[ ]
Floating Rate Notes:	[Applicable/Not Applicable]
Floating Rate:	Specified Interest Rate [+/−Spread] [x Spread Multiplier][Inverse Floating Rate][Floating Rate/Fixed Rate]
Initial Interest Rate:	[ ]%
Base Rate:	[Federal Funds Rate] OR [Compounded Daily SOFR] OR [Compounded SOFR Index Rate]
Initial Base Rate:	[ ]%
Spread (if applicable):	[Not Applicable] OR [ ]
Spread Multiplier (if applicable):	[Not Applicable] OR [ ]
Maximum (if applicable):	[Not Applicable] OR [ ]
Minimum (if applicable):	[Not Applicable] OR [ ]
Interest Payment Dates:	[third Wednesday of each month/March/June/September/ December] OR [•]
Interest Payment Period:	[ ]
Interest Reset Period:	[ ]
Interest Reset Dates:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]
Initial Interest Reset Date:	[ ]
Interest Calculation Date:	[Earlier of the tenth calendar day after Interest Determination Date, or if such day is not a business day, the next succeeding business day and the business day preceding the applicable Interest Payment Date or Stated Maturity, as the case may be] OR [Not Applicable—if SOFR] OR [•]
Interest Determination Dates:	[Specify details]
	[[•] [U.S. Government Securities Business Day prior to Interest Payment Date]] (for SOFR Notes, specify number under Relevant Number below)
Index Maturity:	[ ]
SOFR Notes:	[Applicable/Not Applicable]
	[If not applicable, delete following subparagraphs]
Relevant Number:	[•] U.S. Government Securities Business Day(s)
Observation Method:	[Lookback/Suspension Period/Observation Shift/Not Applicable]
Suspension Determination Period:	[Applicable/Not Applicable]
	[•] U.S. Government Securities Business Day(s)
Floating Rate/Fixed Rate Security:	[Applicable/Not Applicable]
Fixed Rate Commencement Date:	[Not Applicable] OR [ ]
Fixed Interest Rate:	[Not Applicable] OR [ ]
Fixed Rate/Floating Rate Security:	[Applicable/Not Applicable]
Floating Rate Commencement Date:	[ ]
Inverse Floating Rate Security:	[Applicable/Not Applicable]
Original Issue Discount Notes:	[Applicable/Not Applicable]
Zero Coupon Notes:	[Applicable/Not Applicable]
Redemption:	[Applicable/Not Applicable]
Redemption Commencement Date:	[ ]

Redemption Price(s):	[ ]
Redemption Period(s):	[ ]
Yield:	[ ] %
General Provisions:	
Business Day Convention:	[Following Business Day Convention] OR [Modified Following Business Day] OR [Preceding Business Day Convention]
Business day:	[ ]
Day Count Fraction:	[ ]OR [Not Applicable]
Issue Price to Investors (%):	[ ]%
Issue Price to Investors ($):	[US$[ ]] OR [ ]
Agent(s) acting in capacity of:	[Principal] OR [Agent]
Additional Paying Agent:	[ ]
Calculation Agent:	[The Bank of New York Mellon]
Listing:	The Official List of the Financial Conduct Authority
Admission to trading:	[Application has been made for the Notes to be admitted to trading on the London Stock Exchange with effect from [ ].]
Denominations:	[ ]
Covenant Defeasance:	[Applicable/Not Applicable]
CUSIP:	[ ]
ISIN:	[ ]
Common Code:	[ ]
[CFI:	[ ], as updated, as set out on the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.]
[FISN:	[ ], as updated, as set out on the website of the ANNA or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.]
Ratings:	The Notes to be issued [have been] OR [are expected to be] rated:
	[S&P Global Ratings Australia Pty Ltd. [ ]]
	[Moody's Investors Service Pty Limited [ ]]
	[Fitch Australia Pty Ltd [ ]]
	[Brief explanation of the meaning of the rating to be included if this has previously been published by a ratings provider]
Interests of natural and legal persons involved in the issue:	Save for the fees payable to [•][, [•] and [•]] (the "Agent[s]"), so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

Relevant Benchmark[s]:	[[SOFR /Federal Funds Rate / Other (specify)] is provided by [administrator legal name]. [As at the date hereof, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 of Regulation (EU) 2016/1011 (the EU Benchmarks Regulation).] [As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that [name of benchmark administrator] is not currently required to obtain authorization or registration (or, if located outside the European Union, recognition, endorsement or equivalence).][As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of the EU Benchmarks Regulation]. [As at the date hereof, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmarks established and maintained by the Financial Conduct Authority (FCA) pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the UK Benchmarks Regulation).] [As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that [name of benchmark administrator] is not currently required to obtain authorization or registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).][As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of the UK Benchmarks Regulation]
Reasons for the offer:	[[ ][See "Use of Proceeds" in the Offering Memorandum]]
(i) Estimated net proceeds:	[●]
(ii) Estimated total expenses:	[●]
Yield (Fixed Rate Notes only):	
Indication of Yield:	The yield is [●]% per annum]

[The information relating to [●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorized

[By:

Duly authorized]

Annex C—Guarantee

GUARANTEE

1. ANZ Bank New Zealand Limited, a New Zealand corporation (the "***Guarantor***"), hereby fully, unconditionally and irrevocably guarantees (the **"*Guarantee"***) as its own debt to each holder of a security of each series authenticated and delivered by the Fiscal Agent (as defined below) (collectively, the "***Securities***", and, individually, a "***Security***"), of ANZ New Zealand (Int'l) Limited (the "***Issuer***"), a New Zealand corporation, acting through its London branch, the due and prompt payment in full (including interest thereon, if any) of all payments of principal of, and interest on, Securities issued pursuant to the Amended and Restated Fiscal Agency Agreement, dated as of December 3, 2021, as amended by Amendment No. 1 to the Amended and Restated Fiscal Agency Agreement, dated as of May 26, 2022 (as the same may be amended from time to time) (the "***Fiscal Agency Agreement***"), among the Issuer and The Bank of New York Mellon, as fiscal agent (the "***Agent***"), and the Guarantor, all sums which may at any time be or become due and payable under the Securities (each, a "***Payment***" and hereinafter collectively referred to as "***Payments***"), at their stated due dates or when otherwise due, irrespective of the invalidity, irregularity or unenforceability thereof.

2. The Guarantor hereby agrees that its obligations hereunder shall be as if it were a principal debtor and not merely a surety, and shall be full, absolute and unconditional, irrespective of, and shall not be affected by, any invalidity, irregularity or enforceability of any Security, any failure to enforce the provisions of any Security, any waiver, modification or consent granted to the Issuer with respect thereto, by the holder of any Security or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. The Guarantor waives all notices of acceptance of this Guarantee or of the creation, renewal, extension, modification, acceleration, compromise or release of any Security and no such creation, renewal, extension, modification, acceleration, compromise or release of any Security shall impair or diminish the Guarantor's obligations hereunder.

4. The Guarantor waives any requirement that the holder or holders of the Securities, in the event of a default in the making of any Payments by the Issuer, first make demand upon or seek to enforce remedies against the Issuer or first realize upon the collateral, if any, available to such holder or holders before demanding payment under or seeking to enforce this Guarantee.

5. The Guarantor hereby waives, in favor of the holders, any and all of its rights, protections, privileges and defenses provided by applicable law to a guarantor and waives any right of set-off which the Guarantor may have against the holder of a Security in respect to any amounts which are or may become payable by the holder of the Security to the Issuer.

6. The Guarantor waives diligence, notice of acceptance, presentment, demand for payment, filing of claims with a court in the event of merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer or any other person, protest, notice of dishonor or non-payment to or on the Guarantor or the Issuer, notice of any other default, breach or nonperformance of any agreement, covenant or obligation of the Issuer under the

Security, and all notices and demands whatsoever with respect to the Securities or any indebtedness evidenced thereby.

7. This Guarantee is a continuing guarantee and nothing save payment in full of each Security hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Security.

8. This Guarantee shall continue to be effective or to be reinstated, as the case may be, if at any time any Payment, in whole or in part, is rescinded or must otherwise be restored by the holder of a Security upon the bankruptcy, liquidation or reorganization of the Issuer or otherwise.

9. The obligations of the Guarantor under this Guarantee shall not be altered, limited or affected by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Issuer or by any defense which the Issuer may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. The Guarantor agrees that any interest on Payments which accrues after the commencement of any such proceeding (or which would have accrued had such proceeding not been commenced) shall be included in the Payments.

10. The Guarantor shall be subrogated to all rights of each holder of Securities against the Issuer in respect of any amounts paid to such holder by the Guarantor pursuant to the provisions of this Guarantee; provided, however, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the Payments on all Securities of the same series and like tenor shall have been paid in full.

11. This Guarantee shall be governed by, and interpreted in accordance with, the laws of the State of New York, without reference to principles of conflict of laws that would require the application of laws of a jurisdiction other than the State of New York, except that all matters pertaining to the authorization and execution of this Guarantee shall be governed by the laws of New Zealand.

12. No amendment, release or modification of the provisions of this Guarantee shall be established by conduct, custom or course of dealing, but solely by the Guarantor giving written notice of such amendment, release or modification to the Agent, *provided* that such amendment, release or modification shall not affect the validity or enforceability of this Guarantee, in its current form as of the date hereof, including any continuation or reinstatement of this Guarantee pursuant to the eighth paragraph hereof in respect of any Securities issued, extended, renewed or otherwise outstanding prior to the receipt of such amendment or revocation. No delay or omission by any holder or holders of Securities to exercise any right under this Guarantee shall impair any such right, nor shall it be construed to be a waiver thereof.

13. The Guarantor, for the benefit of the holders of Securities, agrees that in the event any payments made by the Guarantor hereunder to any NRWT Holder (as defined below) of a Security are subject to any present or future tax, duty, assessment, impost, levy or other

similar charge imposed upon such holder in respect of the Guarantor's payment hereunder by the government of New Zealand or the United Kingdom or any political subdivision or taxing authority thereof or therein, or the domicile or principal place of business of the payor (each, a "***Taxing Jurisdiction***") (any such taxes, duties, assessments, imposts, levies and other similar charges being referred to herein as "***Taxes***"), the Guarantor will pay to such holder additional amounts such that the amount paid to such holder will not be less than the amount which the holder would have received if the Guarantor's payments hereunder were not subject to any Taxes; *provided, however,* that no such additional amounts shall be payable:

(a) to the extent that the Taxes are imposed or levied by virtue of the holder, or the beneficial owner, of the Security having some connection (whether past or present) with a Taxing Jurisdiction, other than mere receipt of such payment or being a holder, or the beneficial owner, of the Security;

(b) to the extent that the Taxes are imposed or levied by virtue of the holder, or the beneficial owner, of the Security not complying with any statutory requirements or not presenting any form or certificate or not having made a declaration of non-residence in, or lack of connection with, a Taxing Jurisdiction or any similar claim for exemption, if the Issuer, or any other agent of the Issuer, has provided a holder, or beneficial owner, of the Security with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;

(c) to the extent that the Taxes are imposed or levied by virtue of a holder, or beneficial owner, of the Security having presented for payment more than 30 days after the date on which the payment in respect of the Security first became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(d) to the extent that the Taxes are imposed or levied by virtue of a holder, or the beneficial owner, of the Security having presented the Security for payment in a Taxing Jurisdiction, unless the Security could not have been presented for payment elsewhere; or

(e) to the extent any combination of the above applies;

nor will additional amounts be paid with respect to any payment of principal of, premium, if any, or interest on the Security to any NRWT Holder who is a fiduciary or partnership or person other than the sole beneficial owner of the payment in respect of the Security to the extent such payment would, under the laws of a Taxing Jurisdiction, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to additional amounts had it been the holder of the Security.

The term "***NRWT Holder***" means a registered holder who is not resident in New Zealand other than:

(i) a registered holder that holds this Security for the purposes of a business that the registered holder carries on in New Zealand through a fixed establishment in New Zealand; or

(ii) a registered holder that is a registered bank engaged in business in New Zealand through a fixed establishment in New Zealand and is not associated with the Guarantor.

Reference to the following terms in the definition of NRWT Holder:

(i) associated;

(ii) fixed establishment;

(iii) registered bank; and

(iv) resident in New Zealand,

shall have the same meaning given to that term in the Income Tax Act 2007 (NZ), unless the context requires otherwise.

The Guarantor shall pay all stamp and other duties, if any, which may be imposed by New Zealand or the United Kingdom, the United States or any political subdivision thereof or taxing authority of or in the foregoing with respect to the Fiscal Agency Agreement or the issuance of this Guarantee.

In addition, any amounts to be paid on the Securities will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, i.e., FATCA, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

14. The Guarantor agrees that, for so long as any of the Securities remain outstanding and are "***restricted securities***" within the meaning of Rule 144(a)(3) under the Securities Act of 1933, the Guarantor will, for so long as it is neither required to comply with Section 13 or 15(d) of the Securities Exchange Act of 1934, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchasers of such restricted securities designated by a holder, upon the request of such holder, beneficial owner or prospective purchaser, any information required by Rule 144A(d)(4) under the Securities Act of 1933.

15. This Guarantee is unsecured and unsubordinated and ranks *pari passu* with all unsecured and unsubordinated indebtedness of the Guarantor other than any obligation preferred by mandatory provisions of applicable law.

16. The Guarantor hereby irrevocably accepts and submits to the non-exclusive jurisdiction of the United States federal courts located in the Borough of Manhattan and the courts of the State of New York located in the Borough of Manhattan in personam, generally and unconditionally, for itself and in respect of its properties, assets and revenues, with respect to any suit, action or proceeding in connection with or arising out of this Guarantee.

17. The Guarantor hereby appoints Australia and New Zealand Banking Group Limited acting through its offices at 277 Park Avenue, 31st Floor, New York, New York 10172, and its successors as its authorized agent (the "***Authorized Agent***") upon which process may be served in any action arising out of or based on this Guarantee, the Securities or the Fiscal Agency Agreement which may be instituted in any State or Federal court in The City of New York by the holder of any Security and expressly accepts the non-exclusive jurisdiction of any such court in respect of such action. The Guarantor hereby irrevocably waives any immunity to service of process in respect of any such action to which it might otherwise be entitled in any action arising out of or based on this Guarantee, the Securities or the Fiscal Agency Agreement which may be instituted by the holder of any Security in any State or Federal court in The City of New York or in any competent court in New Zealand. Such appointment shall be irrevocable so long as the holders of the Securities shall have rights pursuant to the terms of the Securities or this Guarantee, except that, if for any reason, Australia and New Zealand Banking Group Limited ceases to be able to act as Authorized Agent or no longer has an address in the Borough of Manhattan, The City of New York, the Guarantor will appoint another person in the Borough of Manhattan, The City of New York, selected in its discretion, as such Authorized Agent. Prior to the date of issuance of any Securities under the Fiscal Agency Agreement, the Guarantor shall obtain the acceptance of Australia and New Zealand Banking Group Limited, New York branch to its appointment as such Authorized Agent, a copy of which acceptance it shall provide to the Fiscal Agent. The Guarantor shall take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment or appointments in full force and effect as aforesaid. Service of process upon the Authorized Agent at the address indicated above, as such address may be changed within the Borough of Manhattan, The City of New York by notice given by the Authorized Agent to each party hereto, shall be deemed, in every respect, effective service of process upon the Guarantor. The Guarantor agrees that the failure of such Authorized Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Notwithstanding the foregoing, any action arising out of or based on this Guarantee, the Securities or the Fiscal Agency Agreement may be instituted by the holder of any Security in any competent court in New Zealand. The Guarantor hereby waives irrevocably any immunity from jurisdiction to which it might otherwise be entitled in any action arising out of or based on this Guarantee, the Securities or the Fiscal Agency Agreement which may be instituted by the holder of any Security in any State or Federal court in The City of New York or in any competent court in New Zealand and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action, suit or proceeding has been brought in an inconvenient forum.

18. The Guarantee shall not be valid or become obligatory for any purpose with respect to a Security until the certificate of authentication on such Security shall have been signed by or on behalf of the Fiscal Agent.

IN WITNESS WHEREOF, the Guarantor has authorized and caused this Guarantee to be duly executed and delivered as of this 26th day of May, 2022.

ANZ BANK NEW ZEALAND LIMITED:

By:________________________________
Name: Antonia Watson
Title: Chief Executive Officer of ANZ Bank New Zealand Limited

By:________________________________
Name: Penelope Lorraine Dell
Title: Treasurer of ANZ Bank New Zealand Limited

ANZ Bank New Zealand Limited
Ground Floor, ANZ Centre, 23-29 Albert Street
Auckland 1010
New Zealand

ANZ New Zealand (Int'l) Limited
Ground Floor, ANZ Centre, 23-29 Albert Street
Auckland 1010
New Zealand

Calculation Agent, Fiscal Agent and Paying Agent
The Bank of New York Mellon
240 Greenwich Street
New York, New York 10286
United States of America

Listing Agent and London Paying Agent
The Bank of New York Mellon
48th Floor
One Canada Square
London E14 5AL
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To ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited

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Melbourne Victoria 3000
Australia

As to English law
Ashurst LLP
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