ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2023

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GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

Banking Group, 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.

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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 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	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.

	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	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.

Section		Order reference	Page
B1.	General disclosures	Schedule 3	23
B2.	Additional financial disclosures	Schedule 5	24
B3.	Asset quality	Schedule 7	29
B4.	Capital adequacy under the internal models based approach, and regulatory liquidity ratios	Schedule 11	34
B5.	Concentration of credit exposures to individual counterparties	Schedule 13	41
B6.	Insurance business	Schedule 16	41

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.

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 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.

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:

REGISTERED BANK DISCLOSURES

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.

REGISTERED BANK DISCLOSURES

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

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