

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

FOR THE SIX MONTHS ENDED 31 MARCH 2021  
NUMBER 44 | ISSUED MAY 2021



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## GLOSSARY OF TERMS

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

**Bank** means ANZ Bank New Zealand Limited.

**Banking Group** means the Bank and all its controlled entities.

**Immediate Parent Company** means ANZ Funds Pty Limited, which is the immediate parent company of ANZ Holdings (New Zealand) Limited.

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

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

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

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

**ANZ New Zealand, We or Our** means the New Zealand business of the Overseas Banking Group.

**Registered Office** is Level 10, 171 Featherston Street, Wellington, New Zealand, which is also ANZ New Zealand's address for service.

**RBNZ** means the Reserve Bank of New Zealand.

**APRA** means the Australian Prudential Regulation Authority.

**the Order** means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014.

Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

# INTERIM FINANCIAL STATEMENTS

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## INTERIM FINANCIAL STATEMENTS

### INCOME STATEMENT

For the six months ended 31 March	Note	2021 NZ\$m	2020 NZ\$m
Interest income		2,338	3,006
Interest expense		(677)	(1,358)
Net interest income		1,661	1,648
Other operating income	2	327	507
Operating income		1,988	2,155
Operating expenses	3	(772)	(836)
Profit before credit impairment and income tax		1,216	1,319
Credit impairment release / (charge)	6	70	(232)
<b>Profit before income tax</b>		<b>1,286</b>	<b>1,087</b>
Income tax expense		(356)	(298)
<b>Profit for the period</b>		<b>930</b>	<b>789</b>

### STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March	2021 NZ\$m	2020 NZ\$m
<b>Profit for the period</b>	<b>930</b>	<b>789</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss	43	(17)
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised losses recognised directly in equity	(3)	(65)
Realised losses transferred to the income statement	4	14
<b>Income tax attributable to the above items</b>	<b>(11)</b>	<b>19</b>
<b>Other comprehensive income after tax</b>	<b>33</b>	<b>(49)</b>
<b>Total comprehensive income for the period</b>	<b>963</b>	<b>740</b>

## BALANCE SHEET

As at	Note	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>Assets</b>			
Cash and cash equivalents		5,579	8,248
Settlement balances receivable		447	378
Collateral paid		1,380	1,394
Trading securities		9,700	12,797
Derivative financial instruments		12,220	9,756
Investment securities		12,046	9,893
Net loans and advances	5	137,786	132,984
Investments in associates		6	-
Deferred tax assets		371	330
Goodwill and other intangible assets	7	3,088	3,092
Premises and equipment		549	590
Other assets		639	625
<b>Total assets</b>		<b>183,811</b>	<b>180,087</b>
<b>Liabilities</b>			
Settlement balances payable		2,830	2,908
Collateral received		1,202	1,275
Deposits and other borrowings	8	131,722	127,997
Derivative financial instruments		11,029	8,166
Current tax liabilities		63	237
Payables and other liabilities		1,354	1,135
Employee entitlements		137	143
Other provisions	9	348	389
Debt issuances	10	20,153	23,827
<b>Total liabilities (excluding head office account)</b>		<b>168,838</b>	<b>166,077</b>
<b>Net assets (excluding head office account)</b>		<b>14,973</b>	<b>14,010</b>
<b>Equity</b>			
Share capital and initial head office account		11,055	11,055
Reserves		119	118
Retained earnings		3,799	2,837
<b>Total equity &amp; head office account</b>		<b>14,973</b>	<b>14,010</b>

# INTERIM FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

	2021 NZ\$m	2020 NZ\$m
<b>For the six months ended 31 March</b>		
<b>Profit after income tax</b>	930	789
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortisation	63	69
Loss on sale and impairment of premises and equipment	1	-
Net derivatives/foreign exchange adjustment	(765)	1,203
Other non-cash movements	117	118
<i>Net (increase)/decrease in operating assets:</i>		
Collateral paid	14	(203)
Trading securities	3,097	(2,737)
Net loans and advances	(4,802)	(2,415)
Other assets	(124)	(405)
<i>Net increase/(decrease) in operating liabilities:</i>		
Deposits and other borrowings (excluding borrowings from Immediate Parent and Ultimate Parent Bank)	3,810	7,639
Settlement balances payable	(78)	625
Collateral received	(73)	299
Other liabilities	19	(264)
<b>Total adjustments</b>	<b>1,279</b>	<b>3,929</b>
<b>Net cash flows from operating activities<sup>1</sup></b>	<b>2,209</b>	<b>4,718</b>
<b>Cash flows from investing activities</b>		
Investment securities:		
Purchases	(4,046)	(1,050)
Proceeds from sale or maturity	1,509	768
Purchases of investments in associates	(6)	-
Other assets	(17)	(21)
<b>Net cash flows from investing activities</b>	<b>(2,560)</b>	<b>(303)</b>
<b>Cash flows from financing activities</b>		
Debt issuances <sup>2</sup>		
Issue proceeds	-	2,327
Redemptions	(2,307)	(966)
Borrowings from Immediate Parent and Ultimate Parent Bank: <sup>3</sup>		
Loans drawn down	910	-
Repayments	(898)	(715)
Repayment of lease liabilities	(23)	(24)
<b>Net cash flows from financing activities</b>	<b>(2,318)</b>	<b>622</b>
Net change in cash and cash equivalents	(2,669)	5,037
Cash and cash equivalents at beginning of period	8,248	2,709
<b>Cash and cash equivalents at end of period</b>	<b>5,579</b>	<b>7,746</b>

1 Net cash provided by operating activities includes income taxes paid of NZ\$582 million (2020: NZ\$485 million).

2 Movement in debt issuances (Note 10 debt issuances) also includes an NZ\$1,077 million decrease (2020: NZ\$836 million increase) from the effect of foreign exchange rates, a NZ\$336 million decrease (2020: NZ\$320 million increase) from changes in fair value hedging instruments and a NZ\$46 million increase (2020: NZ\$95 million increase) of other changes.

3 Movement in borrowings from Immediate Parent and Ultimate Parent Bank (Note 8 deposit and other borrowings) also includes an NZ\$54 million decrease (2020: NZ\$32 million increase) from the effect of foreign exchange rates, a NZ\$44 million decrease (2020: NZ\$64 million increase) from changes in fair value hedging instruments and a NZ\$1 million increase (2020: nil) of other changes.

## STATEMENT OF CHANGES IN EQUITY

	Share capital and initial head office account NZ\$m	Investment securities revaluation reserve NZ\$m	Cash flow hedging reserve NZ\$m	Retained earnings NZ\$m	Total equity NZ\$m
<b>As at 1 October 2019</b>	11,055	(6)	27	1,523	12,599
Impact on transition to NZ IFRS 16 <i>Leases</i>	-	-	-	(17)	(17)
<b>As at 1 October 2019 (adjusted)</b>	11,055	(6)	27	1,506	12,582
Profit or loss	-	-	-	789	789
Unrealised losses recognised directly in equity	-	(38)	(27)	-	(65)
Realised losses transferred to the income statement	-	-	14	-	14
Actuarial loss on defined benefit schemes	-	-	-	(17)	(17)
Income tax credit on items recognised directly in equity	-	11	4	4	19
<b>Total comprehensive income for the period</b>	-	(27)	(9)	776	740
<b>As at 31 March 2020</b>	11,055	(33)	18	2,282	13,322
<b>As at 1 October 2020</b>	11,055	8	110	2,837	14,010
Profit or loss	-	-	-	930	930
Unrealised gains / (losses) recognised directly in equity	-	49	(52)	-	(3)
Realised losses / (gains) transferred to the income statement	-	(2)	6	-	4
Actuarial gain on defined benefit schemes	-	-	-	43	43
Income tax credit / (expense) on items recognised directly in equity	-	(13)	13	(11)	(11)
<b>Total comprehensive income for the period</b>	-	34	(33)	962	963
<b>As at 31 March 2021</b>	11,055	42	77	3,799	14,973

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. ABOUT OUR INTERIM FINANCIAL STATEMENTS

### BASIS OF PREPARATION

These are the condensed consolidated interim financial statements (financial statements) for ANZ New Zealand and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 2020.

On 7 May 2021, 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 consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all of the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank.

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 ANZ New Zealand are consistent with those adopted and disclosed in the previous full year financial statements.

### BASIS OF MEASUREMENT

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments;
- financial instruments measured at fair value through other comprehensive income; and
- financial instruments designated at fair value through profit and loss.



## KEY JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments, are provided in the previous full year financial statements. Such estimates and judgements are reviewed on an ongoing basis.

A brief explanation of the key estimates, assumptions and judgements that have changed during the six months ended 31 March 2021 follows:

### Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and ANZ New Zealand's performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the impact, extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes disruption to capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts and other restructuring activities; and
- the efficacy, extent and pace of roll-out of vaccines, as well as the effectiveness of government and central bank measures that have been and will be put in place to support businesses and consumers through this disruption.

ANZ New Zealand has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of ANZ New Zealand. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, carrying values of goodwill, fair value measurement, and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note in these financial statements and/or in the relevant note in the previous full year financial statements. Readers should consider these disclosures in light of the inherent uncertainty described above.



## 2. OTHER OPERATING INCOME

	2021 NZ\$m	2020 NZ\$m
<b>For the six months ended 31 March</b>		
<b>(i) Fee and commission income</b>		
Lending fees	16	17
Non-lending fees	341	374
Commissions	18	21
Funds management income	131	133
Fee and commission income	506	545
Fee and commission expense	(230)	(260)
<b>Net fee and commission income</b>	<b>276</b>	<b>285</b>
<b>(ii) Other income</b>		
Net trading gains	65	69
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(36)	143
Net foreign exchange earnings and other financial instruments income	29	212
Other	22	10
<b>Other income</b>	<b>51</b>	<b>222</b>
<b>Other operating income</b>	<b>327</b>	<b>507</b>

## 3. OPERATING EXPENSES

	2021 NZ\$m	2020 NZ\$m
<b>For the six months ended 31 March</b>		
<b>Personnel</b>		
Salaries and related costs	421	454
Superannuation costs	14	15
Other	9	24
<b>Personnel</b>	<b>444</b>	<b>493</b>
<b>Premises</b>		
Rent	9	12
Depreciation	40	45
Other	20	20
<b>Premises</b>	<b>69</b>	<b>77</b>
<b>Technology</b>		
Depreciation and amortisation	23	24
Subscription licences and outsourced services	62	60
Other	18	22
<b>Technology (excluding personnel)</b>	<b>103</b>	<b>106</b>
<b>Other</b>		
Advertising and public relations	17	24
Professional fees	31	31
Freight, stationery, postage and communication	21	21
Charges from Ultimate Parent Bank	53	41
Other	34	43
<b>Other</b>	<b>156</b>	<b>160</b>
<b>Operating expenses</b>	<b>772</b>	<b>836</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 4. SEGMENT REPORTING

ANZ New Zealand is organised into three major business segments for segment reporting purposes - Retail, Commercial and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

There were no material changes to ANZ New Zealand's reportable segments during the six months ended 31 March 2021.

#### Retail

Retail provides a full range of banking and wealth management services to consumer, private banking and small business banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.

#### Commercial

Commercial provides a full range of banking services including traditional relationship banking and sophisticated financial solutions through dedicated managers focusing on privately owned medium to large enterprises, the agricultural business segment, government and government related entities.

#### Institutional

The Institutional division services governments, global institutional and corporate customers across three product sets: Transaction Banking, Corporate Finance and Markets.

- **Transaction Banking** provides working capital and liquidity solutions including documentary trade, supply chain financing as well as cash management solutions, deposits, payments and clearing.
- **Corporate Finance** provides loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory.
- **Markets** provide risk management services on foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing ANZ New Zealand's interest rate exposure and liquidity position.

#### Other

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

	Retail		Commercial		Institutional		Other		Total	
	2021 NZ\$m	2020 NZ\$m	2021 NZ\$m	2020 NZ\$m	2021 NZ\$m	2020 NZ\$m	2021 NZ\$m	2020 NZ\$m	2021 NZ\$m	2020 NZ\$m
For the six months ended 31 March										
Net interest income	986	922	503	549	168	176	4	1	1,661	1,648
Net fee and commission income										
- Lending fees	7	8	-	-	9	9	-	-	16	17
- Non-lending fees	308	343	5	5	28	26	-	-	341	374
- Commissions	17	21	-	-	1	-	-	-	18	21
- Funds management income	131	133	-	-	-	-	-	-	131	133
- Fee and commission expense	(230)	(260)	-	-	-	-	-	-	(230)	(260)
Net fee and commission income	233	245	5	5	38	35	-	-	276	285
Other income	15	9	-	1	75	46	(39)	166	51	222
Other operating income	248	254	5	6	113	81	(39)	166	327	507
Operating income	1,234	1,176	508	555	281	257	(35)	167	1,988	2,155
Operating expenses	(547)	(574)	(118)	(147)	(94)	(96)	(13)	(19)	(772)	(836)
Profit before credit impairment and income tax	687	602	390	408	187	161	(48)	148	1,216	1,319
Credit impairment release / (charge)	32	(82)	31	(106)	7	(44)	-	-	70	(232)
<b>Profit / (loss) before income tax</b>	<b>719</b>	<b>520</b>	<b>421</b>	<b>302</b>	<b>194</b>	<b>117</b>	<b>(48)</b>	<b>148</b>	<b>1,286</b>	<b>1,087</b>
Income tax expense	(198)	(146)	(118)	(85)	(54)	(33)	14	(34)	(356)	(298)
<b>Profit / (loss) after income tax</b>	<b>521</b>	<b>374</b>	<b>303</b>	<b>217</b>	<b>140</b>	<b>84</b>	<b>(34)</b>	<b>114</b>	<b>930</b>	<b>789</b>

	Retail		Commercial		Institutional		Other		Total	
	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20
As at	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
<b>Financial position</b>										
Goodwill	1,011	1,011	926	926	1,069	1,069	-	-	3,006	3,006
Net loans and advances	92,418	86,648	38,832	39,333	6,533	6,993	3	10	137,786	132,984
Customer deposits	81,358	79,867	20,172	18,437	21,256	22,559	-	-	122,786	120,863

#### Other segment

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

	2021	2020
For the six months ended 31 March	NZ\$m	NZ\$m
Central functions	1	3
Group Centre	(3)	(1)
Economic hedges	(32)	112
<b>Total</b>	<b>(34)</b>	<b>114</b>

## 5. NET LOANS AND ADVANCES

	Note	31 Mar 21	30 Sep 20
		NZ\$m	NZ\$m
Overdrafts		652	659
Credit cards		1,287	1,300
Term loans - housing		95,387	89,544
Term loans - non-housing		40,732	41,882
<b>Subtotal</b>		<b>138,058</b>	<b>133,385</b>
Unearned income		(23)	(25)
Capitalised brokerage and other origination costs		368	319
<b>Gross loans and advances</b>		<b>138,403</b>	<b>133,679</b>
Allowance for expected credit losses	6	(617)	(695)
<b>Net loans and advances</b>		<b>137,786</b>	<b>132,984</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 6. ALLOWANCE FOR EXPECTED CREDIT LOSSES

This note should be read in conjunction with the estimates, assumptions and judgements relating to COVID-19 included in Note 1.

#### ALLOWANCE FOR EXPECTED CREDIT LOSSES - BALANCE SHEET

##### Net loans and advances - at amortised cost

Allowance for Expected Credit Losses (ECL) is included in net loans and advances.

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
As at 1 October 2020	161	347	80	107	695
Transfer between stages	22	(20)	(3)	1	-
New and increased provisions (net of collective provision releases)	(33)	1	(15)	38	(9)
Write-backs	-	-	-	(36)	(36)
Bad debts written-off (excluding recoveries)	-	-	-	(28)	(28)
Discount unwind	-	-	-	(5)	(5)
As at 31 March 2021	150	328	62	77	617

##### Off-balance sheet credit related commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2020	79	55	3	22	159
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(11)	(1)	-	(3)	(15)
As at 31 March 2021	71	51	3	19	144

#### CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

	2021 NZ\$m	2020 NZ\$m
<b>For the six months ended 31 March</b>		
New and increased provisions		
- Collectively assessed	(60)	188
- Individually assessed	36	73
Write-backs	(36)	(15)
Recoveries of amounts previously written-off	(10)	(14)
<b>Total credit impairment charge / (release)</b>	<b>(70)</b>	<b>232</b>

#### LOAN DEFERRAL AND RELIEF PACKAGES

From March 2020, ANZ New Zealand offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. The loan deferral and relief packages are considered to be a loan modification under NZ IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

These relief packages were phased out during the six months ended 31 March 2021. In the case of loan deferral packages, 86% of all customers who took advantage of a deferral package have reverted back to loan repayments, with the remainder having been either restructured or, for less than 2% of customers, transferred to hardship. For those customers who took up loan deferral packages, it is considered that the packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred over the loan deferral period and those that may still occur in the future. Thus ANZ New Zealand has provided a component of ECL for expected delinquencies and increases in Significant Increase in Credit Risk (SICR) for this population of loans.

Facilities which transitioned to interest-only or took up term extensions offered as a result of COVID-19, are now subsumed within the normal loan population and are managed accordingly.



## KEY JUDGEMENTS AND ESTIMATES

In estimating individually assessed ECL for Stage 3 exposures, ANZ New Zealand 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 the ongoing and potential impact of COVID-19.

In estimating collectively assessed ECL, ANZ New Zealand makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology, noting that the modelling of ANZ New Zealand’s ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made in the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. ANZ New Zealand’s ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the six months ended 31 March 2021
<b>Determining when a SICR has occurred</b>	<p>In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance.</p> <p>The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. ANZ New Zealand monitors the effectiveness of SICR criteria on an ongoing basis.</p>	<p>The relief packages offered to customers in response to COVID-19 in 2020 are no longer being offered, and the majority of customers who took up the relief have reverted back to their normal loan repayments.</p> <p>The relief packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred and those that may still occur in the future. Thus ANZ New Zealand has provided a component of ECL for expected delinquencies and increases in SICR.</p>
<b>Measuring both 12-month and lifetime credit losses</b>	<p>The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio’s point-in-time sensitivity.</p> <p>In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.</p>	<p>The PD, EAD and LGD models are subject to ANZ New Zealand’s model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality.</p> <p>During the six months ended 31 March 2021 an adjustment was made to the modelled outcome to account for continuing model uncertainties as a result of COVID-19.</p> <p>There were no material changes to the policies during the six months ended 31 March 2021.</p>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS



## KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the six months ended 31 March 2021
Base case economic forecast	ANZ New Zealand derives a forward looking "base case" economic scenario which reflects our view of future macro-economic conditions.	<p>There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current period.</p> <p>As at 31 March 2021, the base case assumptions have been updated to reflect the current phase of COVID-19, including containment in key geographies, government stimulus measures and roll-out of vaccines. In determining the expected path and timing out of the current economic downturn, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as payment deferrals) were considered.</p> <p>The expected outcomes of key economic drivers for the base case scenario as at 31 March 2021 are described below under the heading "Base case economic forecast assumptions".</p>
Probability weighting of each scenario (base case, upside, downside and severe downside scenarios) <sup>1,2</sup>	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case scenario at each measurement date.	<p>The key consideration for probability weightings in the current period is the extent and timing of recovery from the economic downturn caused by COVID-19.</p> <p>ANZ New Zealand considers these weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within ANZ New Zealand's credit portfolios in determining them.</p> <p>In addition to the base case forecast which reflects a significant improvement as we emerge from an economic environment heavily influenced by COVID-19, greater weighting continues to be applied to the downside scenario given ANZ New Zealand's assessment of downside risks.</p> <p>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.</p>
Management temporary adjustments	<p>Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.</p> <p>The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.</p>	<p>Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts.</p> <p>Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail, commercial and agri banking.</p>

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.



## KEY JUDGEMENTS AND ESTIMATES

### Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures, including the roll-out of vaccines, to contain the spread of COVID-19;
- the extent and duration of the economic downturn, along with the time required for economies to recover; and
- the effectiveness of government stimulus measures, in particular their impact on the magnitude of the economic downturn and the extent and duration of the recovery.

The economic drivers of the base case economic forecasts at 31 March 2021 are set out below. These reflect our view of future macro-economic conditions at 31 March 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

New Zealand	Actual calendar year	Forecast calendar year	
	2020	2021	2022
Gross domestic product (GDP)	-3.0%	3.6%	3.7%
Unemployment	4.6%	5.4%	4.6%
Residential property prices	15.6%	17.4%	4.1%
Consumer price index (CPI)	1.7	1.9	1.6

The base case economic forecasts as at 31 March 2021 indicate a significant improvement in current and expected economic conditions from the forecasts as at 30 September 2020 reflecting the ongoing progress and actions in responding to the COVID-19 pandemic.

### Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 and the ability of vaccines to limit the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential recovery in the economy, greater weighting continues to be applied to the downside and severe downside scenarios given ANZ New Zealand's assessment of downside risks.

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. ANZ New Zealand considers these weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within ANZ New Zealand's credit portfolios in determining them. The average weightings applied are set out below:

	31 Mar 21	30 Sep 20
Base	50%	50%
Upside	8%	8%
Downside	32%	32%
Severe downside	10%	10%

### ECL - sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, ECL reported by ANZ New Zealand should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 March 2021:

	Total NZ\$m	Impact NZ\$m
If 1% of Stage 1 facilities were included in Stage 2	669	4
If 1% of Stage 2 facilities were included in Stage 1	664	(1)
100% upside scenario	457	(208)
100% base scenario	544	(121)
100% downside scenario	802	137
100% severe downside scenario	998	333

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 7. GOODWILL AND OTHER INTANGIBLE ASSETS

	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
Goodwill	3,006	3,006
Funds management rights (indefinite life)	76	76
Software	6	10
<b>Goodwill and other intangible assets</b>	<b>3,088</b>	<b>3,092</b>

#### GOODWILL AND OTHER INTANGIBLE ASSETS ALLOCATED TO CASH-GENERATING UNITS (CGUs)

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on 1 December 2003, and the carrying amount reflects amortisation recognised before the application of NZ IFRS from 1 October 2004 and subsequent business disposals. Funds management rights, assessed as having indefinite useful lives, arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ Wealth New Zealand Limited) group on 30 November 2009.

Goodwill and funds management rights are allocated to CGUs as follows:

	Goodwill		Management rights	
	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>Cash generating unit</b>				
Retail and business banking	893	893	-	-
Wealth	118	118	76	76
Retail segment	1,011	1,011	76	76
Commercial	926	926	-	-
Institutional	1,069	1,069	-	-
<b>Total</b>	<b>3,006</b>	<b>3,006</b>	<b>76</b>	<b>76</b>

#### Annual goodwill impairment test

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCD) and its value-in use (VIU). We use a value-in-use approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated. Based on this assessment no impairment was identified for any CGU, and therefore a FVLCD calculation was not required.

#### VALUE-IN-USE

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, the impact of the restriction imposed by the RBNZ on the payment of ordinary dividends by all New Zealand incorporated registered banks, and the implementation of the RBNZ's increased capital requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Input / assumption	Values applied in 28 February 2021 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation period of the RBNZ's increased capital requirements over the period 1 July 2021 to 1 July 2028.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2021 to 2023, before returning to long run experience levels for 2024 to 2028. Long run experience levels are based on ANZ New Zealand's bad debts written off, net of recoveries, since 2004 of 0.15% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2024 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2023 forecast inflation from the RBNZ's February 2021 Monetary Policy Statement.
Discount rate	Post tax: 9.4% (February 2020: 9.3%).  The main variables in the calculation of the discount rate used are the risk free rate, beta and the market risk premium. The risk free rate was the traded 10 year New Zealand government bond yield as at 28 February 2021 of 1.9%. The market risk premium was estimated using a range of methods incorporating historical and forward looking market data. Beta was consistent with observable measures applied in the regional banking sector.



The values of the average revenue growth, credit impairment as a percentage of forecast gross loans and advances, and pre-tax discount rates assumptions by CGU are shown in the table below. The implied pre-tax discount rates are significantly higher than the post-tax discount rate above because regulatory capital retention over the forecast period is not tax effected.

Cash generating unit	Revenue growth		Credit impairment		Pre-tax discount rate	
	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20	31 Mar 21	30 Sep 20
Retail and business banking	6.1%	5.8%	0.13%	0.13%	17.5%	16.7%
Wealth	3.4%	2.7%	0.10%	0.01%	16.4%	16.0%
Commercial	4.2%	4.8%	0.21%	0.22%	17.8%	17.1%
Institutional	4.5%	0.6%	0.21%	0.12%	17.3%	17.0%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the recoverable amounts of the Retail & business banking and Wealth CGUs to exceed their carrying amounts, but would do so for the Commercial and Institutional CGUs.

A summary of the amounts by which key assumptions for Commercial and Institutional must change in order for their recoverable amounts to equal their carrying amounts is shown below.

Recoverable amounts and carrying amounts are those at the Banking Group level as no further goodwill or other intangible assets with indefinite useful lives exist in ANZ New Zealand entities outside the Banking Group.

	Commercial		Institutional	
	Forecast Value	Change required	Forecast Value	Change required
Amount by which recoverable amount exceeds carrying amount (NZ\$m)	513	n/a	386	n/a
<b>Value of assumption and change (in basis points) required to reduce recoverable amount to nil:</b>				
Average annual revenue growth over forecast period	4.2%	-87 bp	4.5%	-113 bp
Average annual credit impairment FY24-FY28	0.21%	+17 bp	0.21%	+73 bp
Discount rate	9.4%	+63 bp	9.4%	+80 bp
Terminal growth rate	2.0%	-106 bp	2.0%	-140 bp



## KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

### Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are ANZ New Zealand's four revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19, and reflects expectations of future events that are believed to be reasonable under the circumstances. The rapidly evolving consequences of COVID-19 and government, business and consumer responses create heightened uncertainty in these estimates and any variations could have a positive or adverse impact on the determination of recoverable amounts.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 8. DEPOSITS AND OTHER BORROWINGS

	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
Term deposits	43,264	50,069
On demand and short term deposits	59,240	53,910
Deposits not bearing interest	20,282	16,884
<b>Total customer deposits</b>	<b>122,786</b>	<b>120,863</b>
Certificates of deposit	1,407	1,782
Commercial paper	3,543	1,748
Securities sold under repurchase agreements	1,113	646
Borrowings from Ultimate Parent Bank and Immediate Parent Company	2,873	2,958
<b>Deposits and other borrowings</b>	<b>131,722</b>	<b>127,997</b>

### 9. OTHER PROVISIONS

	Note	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
ECL allowance on undrawn facilities	6	144	159
Customer remediation		121	141
Restructuring costs		31	36
Leasehold make good		23	23
Other <sup>1</sup>		29	30
<b>Total other provisions</b>		<b>348</b>	<b>389</b>

1 Other provisions comprise various other provisions including losses arising from other legal action, operational issues, and warranties and indemnities provided in connection with various disposals of businesses and assets.

### 10. DEBT ISSUANCES

ANZ New Zealand uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that holders of unsubordinated debt take priority over holders of subordinated debt owed by the relevant issuer and subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
Senior debt	14,066	17,476
Covered bonds	4,245	4,522
<b>Total unsubordinated debt</b>	<b>18,311</b>	<b>21,998</b>
Subordinated debt		
- ANZ Capital Notes	1,553	1,543
- Other	289	286
<b>Total subordinated debt</b>	<b>1,842</b>	<b>1,829</b>
<b>Total debt issued</b>	<b>20,153</b>	<b>23,827</b>

Covered bonds are guaranteed by ANZ NZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZ NZ Covered Bond Trust (the Covered Bond Trust). The Covered Bond Trust is a member of the Banking Group, whereas the Covered Bond Guarantor is not a member of the Banking Group.

Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by the Covered Bond Guarantor as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

## 11. CREDIT RISK

This note should be read in conjunction with the estimates, assumptions and judgements relating to COVID-19 in Note 1 and ECL in Note 6.

### 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 ANZ New Zealand 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 <sup>1</sup>		Maximum exposure to credit risk	
	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>On-balance sheet positions</b>						
Net loans and advances	137,786	132,984	-	-	137,786	132,984
Other financial assets:						
Cash and cash equivalents	5,579	8,248	211	187	5,368	8,061
Settlement balances receivable	447	378	-	-	447	378
Collateral paid	1,380	1,394	-	-	1,380	1,394
Trading securities	9,700	12,797	-	-	9,700	12,797
Derivative financial instruments	12,220	9,756	-	-	12,220	9,756
Investment securities	12,046	9,893	-	-	12,046	9,893
Other financial assets <sup>2</sup>	551	547	-	-	551	547
<b>Total other financial assets</b>	<b>41,923</b>	<b>43,013</b>	<b>211</b>	<b>187</b>	<b>41,712</b>	<b>42,826</b>
<b>Subtotal</b>	<b>179,709</b>	<b>175,997</b>	<b>211</b>	<b>187</b>	<b>179,498</b>	<b>175,810</b>
<b>Off-balance sheet commitments</b>						
Undrawn and contingent facilities <sup>3</sup>	30,206	30,607	-	-	30,206	30,607
<b>Total</b>	<b>209,915</b>	<b>206,604</b>	<b>211</b>	<b>187</b>	<b>209,704</b>	<b>206,417</b>

1 Bank notes and coins and cash at bank within cash and cash equivalents.

2 Other financial assets mainly comprise accrued interest and acceptances.

3 Undrawn facilities 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 ANZ New Zealand's internal customer credit rating (CCR) to manage the credit quality of financial assets. To enable wider comparisons, ANZ New Zealand's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	ANZ New Zealand 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 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
<b>As at 31 March 2021</b>					
Strong	106,841	2,096	-	-	108,937
Satisfactory	21,990	3,920	-	-	25,910
Weak	523	1,687	-	-	2,210
Defaulted	-	-	685	316	1,001
<b>Subtotal</b>	<b>129,354</b>	<b>7,703</b>	<b>685</b>	<b>316</b>	<b>138,058</b>
Allowance for ECL	(150)	(328)	(62)	(77)	(617)
<b>Net loans and advances at amortised cost</b>	<b>129,204</b>	<b>7,375</b>	<b>623</b>	<b>239</b>	<b>137,441</b>
<b>Coverage ratio</b>	<b>0.12%</b>	<b>4.26%</b>	<b>9.05%</b>	<b>24.37%</b>	<b>0.45%</b>
Unearned income					(23)
Capitalised brokerage and other origination costs					368
<b>Net carrying amount</b>					<b>137,786</b>

### As at 30 September 2020

Strong	98,495	5,524	-	-	104,019
Satisfactory	21,470	4,581	-	-	26,051
Weak	406	1,736	-	-	2,142
Defaulted	-	-	810	363	1,173
<b>Subtotal</b>	<b>120,371</b>	<b>11,841</b>	<b>810</b>	<b>363</b>	<b>133,385</b>
Allowance for ECL	(161)	(347)	(80)	(107)	(695)
<b>Net loans and advances at amortised cost</b>	<b>120,210</b>	<b>11,494</b>	<b>730</b>	<b>256</b>	<b>132,690</b>
<b>Coverage ratio</b>	<b>0.13%</b>	<b>2.93%</b>	<b>9.88%</b>	<b>29.48%</b>	<b>0.52%</b>
Unearned income					(25)
Capitalised brokerage and other origination costs					319
<b>Net carrying amount</b>					<b>132,984</b>

### Off-balance sheet commitments - undrawn and contingent facilities

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
<b>As at 31 March 2021</b>					
Strong	24,923	194	-	-	25,117
Satisfactory	3,848	1,160	-	-	5,008
Weak	19	140	-	-	159
Defaulted	-	-	31	35	66
<b>Gross undrawn and contingent facilities</b>	<b>28,790</b>	<b>1,494</b>	<b>31</b>	<b>35</b>	<b>30,350</b>
Allowance for ECL included in other provisions (refer to Note 9)	(71)	(51)	(3)	(19)	(144)
<b>Net undrawn and contingent facilities</b>	<b>28,719</b>	<b>1,443</b>	<b>28</b>	<b>16</b>	<b>30,206</b>
<b>Coverage ratio</b>	<b>0.25%</b>	<b>3.41%</b>	<b>9.68%</b>	<b>54.29%</b>	<b>0.47%</b>

### As at 30 September 2020

Strong	25,275	302	-	-	25,577
Satisfactory	3,949	974	-	-	4,923
Weak	27	179	-	-	206
Defaulted	-	-	19	41	60
<b>Gross undrawn and contingent facilities</b>	<b>29,251</b>	<b>1,455</b>	<b>19</b>	<b>41</b>	<b>30,766</b>
Allowance for ECL included in other provisions (refer to Note 9)	(79)	(55)	(3)	(22)	(159)
<b>Net undrawn and contingent facilities</b>	<b>29,172</b>	<b>1,400</b>	<b>16</b>	<b>19</b>	<b>30,607</b>
<b>Coverage ratio</b>	<b>0.27%</b>	<b>3.78%</b>	<b>15.79%</b>	<b>53.66%</b>	<b>0.52%</b>

## 12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

ANZ New Zealand categorises financial assets and financial liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure 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 table below summarises the attribution of financial instruments carried at fair value to the fair value hierarchy:

	Fair value measurements							
	Quoted market price (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>Assets</b>								
Trading securities	8,854	8,848	846	3,949	-	-	9,700	12,797
Derivative financial instruments	10	8	12,208	9,745	2	3	12,220	9,756
Investment securities	12,045	9,892	-	-	1	1	12,046	9,893
<b>Total</b>	<b>20,909</b>	<b>18,748</b>	<b>13,054</b>	<b>13,694</b>	<b>3</b>	<b>4</b>	<b>33,966</b>	<b>32,446</b>
<b>Liabilities</b>								
Deposits and other borrowings	-	-	3,543	1,748	-	-	3,543	1,748
Derivative financial instruments	19	4	11,010	8,162	-	-	11,029	8,166
Other financial liabilities	598	158	-	-	-	-	598	158
<b>Total</b>	<b>617</b>	<b>162</b>	<b>14,553</b>	<b>9,910</b>	<b>-</b>	<b>-</b>	<b>15,170</b>	<b>10,072</b>

### 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 21 NZ\$m	30 Sep 20 NZ\$m	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>Financial assets</b>				
Net loans and advances <sup>1</sup>	137,786	132,984	138,202	133,592
<b>Total</b>	<b>137,786</b>	<b>132,984</b>	<b>138,202</b>	<b>133,592</b>
<b>Financial liabilities</b>				
Deposits and other borrowings <sup>2</sup>	128,179	126,249	128,436	126,498
Debt issuances <sup>1</sup>	20,153	23,827	20,421	24,049
<b>Total</b>	<b>148,332</b>	<b>150,076</b>	<b>148,857</b>	<b>150,547</b>

<sup>1</sup> 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.

<sup>2</sup> Excludes commercial paper (Note 8 deposits and other borrowings) designated at fair value through profit or loss.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 13. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Mar 21 NZ\$m	30 Sep 20 NZ\$m
<b>Credit related commitments and contingencies</b>		
Contract amount of:		
Undrawn facilities	27,467	28,023
Guarantees and letters of credit	1,298	1,309
Performance related contingencies	1,585	1,434
<b>Total</b>	<b>30,350</b>	<b>30,766</b>

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

#### Other contingent liabilities

There are outstanding court proceedings, claims and possible claims for and against ANZ New Zealand. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 9 other provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of ANZ New Zealand.

#### Regulatory and customer exposures

In recent years there has been an increase in the number of matters on which ANZ New Zealand engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in New Zealand and globally. ANZ New Zealand has received various notices and requests for information from its regulators as part of both industry-wide and ANZ New Zealand-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 financial transactions, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

#### Reviews under section 95 of the Reserve Bank of New Zealand Act 1989 (RBNZ Act)

On 5 July 2019, the RBNZ issued a notice under section 95 of the RBNZ Act requiring the Bank to obtain two external reviews: the first on the Bank's compliance with certain aspects of the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Internal Models Based Approach) (BS2B) (Capital Adequacy Review)*; and the second on the effectiveness of the Bank's directors' attestation and assurance framework (*Attestation Review*).

The Attestation Review and the Capital Adequacy Review were completed in December 2019 and April 2020, respectively. The Bank is committed to implementing the recommendations and addressing the issues raised by these reviews.

Due to the impacts of the COVID-19 pandemic, the RBNZ extended the time period for addressing the Attestation Review recommendations, subject to the Bank obtaining external interim reviews of the remediation activities being undertaken in respect of the Attestation Review and the Capital Adequacy Review, assessed as at March 2021, with final reviews being assessed as at September 2021 for the Attestation review and December 2021 for the Capital Models review. The interim review of the Attestation Review is in the process of being finalised. The interim review of the Capital Adequacy Review has been completed. The external reviewer has reported that the Bank has made significant progress to address non-compliance issues and improvement areas identified by the Capital Adequacy Review, and the programme of work is expected to be completed by December 2021.

The Attestation Review and the Capital Adequacy Review have highlighted the need for a broader programme of improving the Bank's processes covered by those reviews, and this programme is now in its implementation phase.

#### Warranties and indemnities

ANZ New Zealand 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.

### 14. SUBSEQUENT EVENTS

On 31 March 2021, the RBNZ announced that it was easing the restrictions preventing banks from paying any dividends on ordinary shares and redeeming non-common equity tier 1 capital instruments that were put in place in April 2020. The changes to the dividend restrictions allow the Bank to pay up to a maximum of 50% of its earnings as dividends. The 50% dividend restriction will remain in place until 1 July 2022 at which point the RBNZ intends to remove the restrictions entirely, subject to no significant worsening in economic conditions. The Bank's conditions of registration were amended on 29 April 2021 to bring the 50% dividend restriction into effect.

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# REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014.

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<b>Section</b>	<b>Order reference</b>	<b>Page</b>
B1. General disclosures	Schedule 3	25
B2. Additional financial disclosures	Schedule 5	26
B3. Asset quality	Schedule 7	31
B4. Credit and market risk exposures and capital adequacy	Schedule 9	33
B5. Insurance business	Schedule 12	33

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## REGISTERED BANK DISCLOSURES

### B1. GENERAL DISCLOSURES

#### Guarantees

No material obligations of the NZ Branch are guaranteed as at 7 May 2021.

Covered bonds issued by ANZ New Zealand (Int'l) Limited, a subsidiary of the Bank, are guaranteed. Refer to page 18 for further details.

#### Changes in the Ultimate Parent Bank's Board of Directors and the New Zealand Chief Executive Officer – NZ Branch

David Gonski retired as an Independent Non-Executive Director of the Ultimate Parent Bank on 28 October 2020. There have been no other changes to the Directors of the Ultimate Parent Bank since 30 September 2020, the balance date of the last full year disclosure statement.

Chris O'Neale was appointed as the New Zealand Chief Executive Officer – NZ Branch on 25 April 2021, following Penny Dell's appointment as Treasurer of the Bank.

#### 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 ANZ New Zealand that may have a material adverse effect on the NZ Branch or ANZ New Zealand is included in Note 13 commitments and contingent liabilities.

#### Credit rating

As at 7 May 2021 the Ultimate Parent Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

The Ultimate Parent Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Negative
Fitch Ratings	A+	Outlook Stable
Moody's Investors Service	Aa3	Outlook Stable

#### Other material matters

##### *RBNZ review of capital requirements*

Between May 2017 and December 2019, the RBNZ conducted a comprehensive review of the capital adequacy framework applying to New Zealand locally incorporated registered banks. The RBNZ's final decisions on the capital review as they relate to the Bank are set out below. In response to the COVID-19 pandemic, the RBNZ delayed the start date for the increased capital requirements to support credit availability. The new regime is expected to be implemented in stages from 1 July 2021.

- The Banking Group's total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. The increased capital ratios requirement will be implemented progressively from 1 July 2022 to 1 July 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer, which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing; and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 31 March 2021, the Bank had approximately NZ\$2,741 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over a seven year transition period from 1 July 2021 to 1 July 2028.
- As an internal ratings based approach accredited bank, the Banking Group's RWA outcomes will be increased to approximately 90% of what would be calculated under the standardised approach. This will be achieved by applying an 85% output floor from 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.
- The Banking Group will be required to report RWA, and resulting capital ratios, using both the internal models and the standardised approaches from 1 January 2022.

The RBNZ's reforms will result in a material increase in the level of capital that the Banking Group is required to hold, although the amount of the increase is currently uncertain. The reforms could have a material impact on the Banking Group and its business, including on its capital allocation and business planning.

Since 30 September 2018, CET1 capital has increased by NZ\$3.8 billion to NZ\$12.9 billion at 31 March 2021 and total capital has increased by NZ\$3.8 billion to NZ\$15.7 billion, in preparation for these changes and due to the RBNZ's COVID-19 related dividend restrictions.

#### Financial statements of the Ultimate Parent Bank and Overseas Banking Group

Copies of the most recent publicly available financial statements of the Ultimate Parent Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where request is made at the Registered Office. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the website [shareholder.anz.com](https://shareholder.anz.com).

## REGISTERED BANK DISCLOSURES

### B2. ADDITIONAL FINANCIAL DISCLOSURES

#### Additional information on the balance sheet

As at 31 March 2021	NZ\$m
Total interest earning and discount bearing assets	166,775
Total interest and discount bearing liabilities	135,300
Total amounts due from related entities	4,376
Total amounts due to related entities	7,620
Total liabilities of the NZ Branch less amounts due to related entities	1,081

#### *Assets charged as security for liabilities*

These amounts exclude the amounts disclosed as collateral paid on the balance sheet that relate to derivative liabilities. The terms and conditions of the collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

Assets charged as security for liabilities include the following types of instruments:

- Securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements.
- Specified residential mortgages provided as security for notes and bonds issued to investors as part of the Bank's covered bond programme.

The carrying amounts of assets pledged as security are as follows:

As at 31 March 2021	NZ\$m
Securities sold under agreements to repurchase	1,113
Residential mortgages pledged as security for covered bonds	11,696

#### 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. ANZ New Zealand does not have any loans and advances designated at fair value through profit or loss. Other operating income for the purposes of the Order comprises net fee and commission income, 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 2021	Loans and advances NZ\$m	Other financial assets NZ\$m	Off-balance sheet credit related commitments NZ\$m	Total NZ\$m
<b>New Zealand residents</b>				
Agriculture	16,743	57	1,107	17,907
Forestry and fishing, agriculture services	652	6	145	803
Manufacturing	2,437	167	2,138	4,742
Electricity, gas, water and waste services	1,066	486	1,838	3,390
Construction	1,168	16	864	2,048
Wholesale trade	1,207	86	1,790	3,083
Retail trade and accommodation	2,380	22	865	3,267
Transport, postal and warehousing	817	131	712	1,660
Finance and insurance services	893	8,625	1,589	11,107
Public administration and safety <sup>1</sup>	315	14,506	836	15,657
Rental, hiring & real estate services	37,252	1,360	2,324	40,936
Professional, scientific, technical, administrative and support services	872	8	458	1,338
Households	68,278	165	13,680	82,123
All other New Zealand residents <sup>2</sup>	1,987	112	1,898	3,997
<b>Subtotal</b>	<b>136,067</b>	<b>25,747</b>	<b>30,244</b>	<b>192,058</b>
<b>Overseas</b>				
Finance and insurance services	123	15,948	106	16,177
Households	1,192	3	-	1,195
All other non-NZ residents	676	14	-	690
<b>Subtotal</b>	<b>1,991</b>	<b>15,965</b>	<b>106</b>	<b>18,062</b>
<b>Gross subtotal</b>	<b>138,058</b>	<b>41,712</b>	<b>30,350</b>	<b>210,120</b>
Allowance for ECL	(617)	-	(144)	(761)
<b>Subtotal</b>	<b>137,441</b>	<b>41,712</b>	<b>30,206</b>	<b>209,359</b>
Unearned income	(23)	-	-	(23)
Capitalised brokerage and other origination costs	368	-	-	368
<b>Maximum exposure to credit risk</b>	<b>137,786</b>	<b>41,712</b>	<b>30,206</b>	<b>209,704</b>

<sup>1</sup> Public administration and safety includes exposures to local government administration and central government administration, defence and public safety.

<sup>2</sup> Other includes exposures to mining, information media and telecommunications, education and training, health care and social assistance and arts, recreation 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 2021	Note	NZ\$m
<b>Funding composition</b>		
Customer deposits	8	122,786
<i>Wholesale funding</i>		
Debt issuances		20,153
Certificates of deposit and commercial paper		4,950
Other borrowings		3,986
Total wholesale funding		29,089
<b>Total funding</b>		<b>151,875</b>
<b>Customer deposits by industry - New Zealand residents</b>		
Agriculture, forestry and fishing		4,264
Manufacturing		2,764
Construction		2,951
Wholesale trade		2,487
Retail trade and accommodation		2,287
Financial and insurance services		12,958
Rental, hiring and real estate services		4,365
Professional, scientific, technical, administrative and support services		6,331
Public administration and safety		1,916
Arts, recreation and other services		2,179
Households		65,697
All other New Zealand residents <sup>1</sup>		5,072
		113,271
<b>Customer deposits by industry - overseas</b>		
Households		8,803
All other non-NZ residents		712
		9,515
Total customer deposits		122,786
<b>Wholesale funding (financial and insurance services industry)</b>		
New Zealand		4,342
Overseas		24,747
Total wholesale funding		29,089
<b>Total funding</b>		<b>151,875</b>
<b>Concentrations of funding by geography</b>		
New Zealand		117,613
Australia		4,432
United States		11,836
Europe		11,170
Other countries		6,824
<b>Total funding</b>		<b>151,875</b>

<sup>1</sup> Other includes mining; electricity, gas, water and waste services; transport, postal and warehousing; information media and telecommunications; education and training; health care and social assistance.

**Additional information on interest rate sensitivity**

The following table represents the interest rate sensitivity of ANZ New Zealand's assets, liabilities and off-balance sheet instruments by showing the periods in which these instruments may reprice, that is, when interest rates applicable to each asset or liability can be changed.

As at 31 March 2021	Total NZ\$m	Up to 3 months NZ\$m	Over 3 to 6 months NZ\$m	Over 6 to 12 months NZ\$m	Over 1 to 2 years NZ\$m	Over 2 years NZ\$m	Not bearing interest <sup>1</sup> NZ\$m
<b>Assets</b>							
Cash and cash equivalents	5,579	5,327	-	-	-	-	252
Settlement balances receivable	447	-	-	-	-	-	447
Collateral paid	1,380	1,380	-	-	-	-	-
Trading securities	9,700	1,331	133	175	782	7,279	-
Derivative financial instruments	12,220	-	-	-	-	-	12,220
Investment securities	12,046	439	-	486	595	10,525	1
Net loans and advances	137,786	64,905	19,710	33,721	15,359	4,628	(537)
Other financial assets	551	-	-	-	-	-	551
<b>Total financial assets</b>	<b>179,709</b>	<b>73,382</b>	<b>19,843</b>	<b>34,382</b>	<b>16,736</b>	<b>22,432</b>	<b>12,934</b>
<b>Liabilities</b>							
Settlement balances payable	2,830	1,630	-	-	-	-	1,200
Collateral received	1,202	1,202	-	-	-	-	-
Deposits and other borrowings	131,722	84,727	13,872	7,247	2,986	2,608	20,282
Derivative financial instruments	11,029	-	-	-	-	-	11,029
Debt issuances	20,153	2,630	2,616	3,102	1,350	10,455	-
Lease liabilities	277	12	12	23	86	144	-
Other financial liabilities	891	598	-	-	-	-	293
<b>Total financial liabilities</b>	<b>168,104</b>	<b>90,799</b>	<b>16,500</b>	<b>10,372</b>	<b>4,422</b>	<b>13,207</b>	<b>32,804</b>
<b>Hedging instruments</b>	<b>-</b>	<b>62,919</b>	<b>(66,171)</b>	<b>1,978</b>	<b>(2,985)</b>	<b>4,259</b>	<b>-</b>
<b>Interest sensitivity gap</b>	<b>11,605</b>	<b>45,502</b>	<b>(62,828)</b>	<b>25,988</b>	<b>9,329</b>	<b>13,484</b>	<b>(19,870)</b>

<sup>1</sup> 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 2021 within relevant maturity groupings. All outstanding debt issuances are profiled on the earliest date on which ANZ New Zealand may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reported on the balance sheet.

As at 31 March 2021	On demand NZ\$m	Less than 3 months NZ\$m	3 to 12 months NZ\$m	1 to 5 years NZ\$m	After 5 years NZ\$m	Total NZ\$m
Settlement balances payable	2,510	322	-	-	-	2,832
Collateral received	-	1,202	-	-	-	1,202
Deposits and other borrowings	79,522	24,525	22,028	5,733	964	132,772
Derivative financial liabilities (trading)	-	8,890	-	-	-	8,890
Debt issuances <sup>1</sup>	-	1,038	5,438	10,826	3,639	20,941
Lease liabilities	-	13	39	169	81	302
Other financial liabilities	-	42	7	226	492	767
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,381	2,946	4,232	313	8,872
- gross outflows	-	(1,400)	(2,960)	(4,302)	(276)	(8,938)

<sup>1</sup> Any callable wholesale debt instruments have been included at their next call date.

At 31 March 2021, NZ\$10 million of ANZ New Zealand's NZ\$14 million of non-credit related commitments and all NZ\$30,350 million of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which ANZ New Zealand may be required to pay.

## REGISTERED BANK DISCLOSURES

### Liquidity portfolio

ANZ New Zealand holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of ANZ New Zealand's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity scenario metrics.

As at 31 March 2021	NZ\$m
Cash and balances with central banks	4,939
Certificates of deposit	380
Central and local government bonds	11,997
Government treasury bills	329
Other bonds	7,853
<b>Total liquidity portfolio</b>	<b>25,498</b>

Assets held in ANZ New Zealand's liquidity portfolio include short term cash held with the RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated New Zealand domestic corporates. These assets would be accepted as collateral by the RBNZ in repurchase transactions. At 31 March 2021, ANZ New Zealand would be eligible to enter into repurchase transactions with a value of NZ\$20,559 million. The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would entitle ANZ New Zealand to enter into repurchase transactions with a value of NZ\$8,629 million at 31 March 2021.

### Overseas Banking Group Profitability and Size

	31 Mar 21
Net profit for the six months ended 31 March 2021 (AUDm)	2,943
Net profit after tax for the 12 months ended 31 March 2021 as a percentage of average total assets	0.47%
Total assets (AUDm)	1,018,339
Percentage change in total assets in the 12 months to 31 March 2021	-11.45%

### Reconciliation of mortgage related amounts

As at 31 March 2021	Note	NZ\$m
Term loans - housing <sup>1</sup>	5	95,387
Less: fair value hedging adjustment		(3)
Less: housing loans made to corporate customers		(1,682)
On-balance sheet residential mortgage exposures (per LVR analysis)	B4	93,702
Add: off-balance sheet residential mortgage exposures (per LVR analysis)	B4	8,925
<b>Total residential mortgage exposures (per LVR analysis)</b>	<b>B4</b>	<b>102,627</b>

<sup>1</sup> Term loans – housing includes loans secured over residential property for owner-occupier, residential property investment and business purposes.

### B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements relating to COVID-19 and ECL included in Note 1, Note 6 and Note 11 to the financial statements.

#### Movements in components of loss allowance – total

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
<b>Net loans and advances - total</b>					
As at 1 October 2020	161	347	80	107	695
Transfer between stages	22	(20)	(3)	1	-
New and increased provisions (net of collective provision releases)	(33)	1	(15)	38	(9)
Write-backs	-	-	-	(36)	(36)
Recoveries of amounts previously written off	-	-	-	(10)	(10)
Credit impairment charge	(11)	(19)	(18)	(7)	(55)
Bad debts written-off (excluding recoveries)	-	-	-	(28)	(28)
Add back recoveries of amounts previously written off	-	-	-	10	10
Discount unwind	-	-	-	(5)	(5)
<b>As at 31 March 2021</b>	<b>150</b>	<b>328</b>	<b>62</b>	<b>77</b>	<b>617</b>

#### Off-balance sheet credit related commitments - total

As at 1 October 2020	79	55	3	22	159
Transfer between stages	3	(3)	-	-	-
New and increased provisions (net of collective provision releases)	(11)	(1)	-	(3)	(15)
Credit impairment charge	(8)	(4)	-	(3)	(15)
<b>As at 31 March 2021</b>	<b>71</b>	<b>51</b>	<b>3</b>	<b>19</b>	<b>144</b>

#### Impacts of changes in gross financial assets on loss allowances - total

##### Gross loans and advances - total

As at 1 October 2020	120,371	11,841	810	363	133,385
Net transfers in to each stage	3,156	147	35	8	3,346
Amounts drawn from new or existing facilities	22,638	535	61	62	23,296
Additions	25,794	682	96	70	26,642
Net transfers out of each stage	(189)	(3,101)	(55)	(1)	(3,346)
Amounts repaid	(16,622)	(1,719)	(166)	(88)	(18,595)
Deletions	(16,811)	(4,820)	(221)	(89)	(21,941)
Amounts written off	-	-	-	(28)	(28)
<b>As at 31 March 2021</b>	<b>129,354</b>	<b>7,703</b>	<b>685</b>	<b>316</b>	<b>138,058</b>
<b>Loss allowance as at 31 March 2021</b>	<b>150</b>	<b>328</b>	<b>62</b>	<b>77</b>	<b>617</b>

##### Off-balance sheet credit related commitments - total

As at 1 October 2020	29,251	1,455	19	41	30,766
Net transfers in to each stage	15	121	7	1	144
New and increased facilities and drawn amounts repaid	4,656	173	9	3	4,841
Additions	4,671	294	16	4	4,985
Net transfers out of each stage	(129)	(15)	-	-	(144)
Reduced facilities and amounts drawn	(5,003)	(240)	(4)	(10)	(5,257)
Deletions	(5,132)	(255)	(4)	(10)	(5,401)
<b>As at 31 March 2021</b>	<b>28,790</b>	<b>1,494</b>	<b>31</b>	<b>35</b>	<b>30,350</b>
<b>Loss allowance as at 31 March 2021</b>	<b>71</b>	<b>51</b>	<b>3</b>	<b>19</b>	<b>144</b>

*Explanation of how changes in the gross carrying amounts of gross loans and advances contributed to changes in loss allowance*

Overall, loss allowances are 0.45% of gross balances as at 31 March 2021, down from 0.52% as at 30 September 2020. The NZ\$93 million (10.9%) decrease in loss allowances was driven by a decrease in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward looking economic scenarios as described in Note 6 to the financial statements.

## REGISTERED BANK DISCLOSURES

### Past due assets and other asset quality information

As at 31 March 2021	Total NZ\$m
<b>Past due assets</b>	
Less than 30 days past due	801
At least 30 days but less than 60 days past due	356
At least 60 days but less than 90 days past due	112
At least 90 days past due	390
<b>Total past due but not individually impaired</b>	<b>1,659</b>
<b>Other asset quality information</b>	
Undrawn facilities with impaired customers	35
Other assets under administration	4

ANZ New Zealand does not have any loans and advances designated at fair value.

### Overseas Banking Group asset quality

As at 31 March 2021	
Gross impaired assets (AUDm)	2,473
Gross impaired assets as a percentage of total assets	0.2%
Individual provision (AUDm)	809
Individual provision as a percentage of gross impaired assets	32.7%
Collective provision (AUDm)	4,285



## B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

### APRA Basel III capital ratios

As at 31 March	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	2021	2020	2021	2020
Common equity tier 1 capital	12.4%	10.8%	12.2%	10.6%
Tier 1 capital	14.3%	12.5%	14.2%	12.6%
Total capital	18.3%	15.5%	18.6%	15.8%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA, which is at least equal to that specified under the Basel III capital framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets. There are however small portfolios (mainly retail and local corporates in Pacific, and local corporates in Asia) where the Overseas Banking Group applies the standardised approach.
- the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 31 March 2021 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2021. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2021, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website [anz.com](http://anz.com).

### Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ document BS2A. The peak end-of-day market risk exposures are for the six months ended 31 March 2021.

As at 31 March 2021	Implied risk weighted exposure		Notional capital charge	
	Period end NZ\$m	Peak NZ\$m	Period end NZ\$m	Peak NZ\$m
Interest rate risk	5,759	11,141	461	891
Foreign currency risk	72	113	6	9
Equity risk	1	1	-	-

### Additional mortgage information

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

As at 31 March 2021	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
<b>LVR range</b>			
Does not exceed 60%	46,060	6,261	52,321
Exceeds 60% and not 70%	19,668	1,218	20,886
Exceeds 70% and not 80%	21,963	1,063	23,026
Does not exceed 80%	87,691	8,542	96,233
Exceeds 80% and not 90%	4,336	148	4,484
Exceeds 90%	1,675	235	1,910
<b>Total</b>	<b>93,702</b>	<b>8,925</b>	<b>102,627</b>

## B5. INSURANCE BUSINESS

As at 31 March 2021, ANZ New Zealand does not conduct any insurance business.

## DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

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

Over the six months ended 31 March 2021, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- The Ultimate Parent Bank has complied in all material respects with each condition of registration that applied during that period<sup>1</sup>; and
  - The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.
1. In accordance with the Order, Australia and New Zealand Banking Group Limited - ANZ New Zealand 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 Australia and New Zealand Banking Group Limited - ANZ New Zealand of any material breach.

Signed by the Chief Executive Officer – NZ Branch



Chris O'Neale  
Chief Executive Officer – NZ Branch  
7 May 2021

Signed on behalf of all the Directors of the Ultimate Parent Bank



Antonia Watson  
Responsible Person  
7 May 2021

on behalf of the Directors of the Ultimate Parent Bank:

Ilana Atlas, AO  
Paula Dwyer  
Shayne Elliott  
Jane Halton, AO PSM  
Rt Hon Sir John Key, GNZM AC  
Graeme Liebelt  
John Macfarlane  
Paul O'Sullivan

## INDEPENDENT AUDITOR'S REVIEW REPORT



### TO THE DIRECTORS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

### REPORT ON THE HALF YEAR DISCLOSURE STATEMENT

#### CONCLUSION

Based on our review of the interim financial statements and registered bank disclosures (together referred to as 'the half year disclosure statement') of the New Zealand business of Australia and New Zealand Banking Group Limited and its subsidiaries (ANZ New Zealand) on pages 4 to 33, nothing has come to our attention that causes us to believe that:

- the interim financial statements on pages 4 to 22 do not present fairly in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, in all material respects, ANZ New Zealand's financial position as at 31 March 2021 and its financial performance and cash flows for the six month period ended on that date;
- the registered bank disclosures in sections B2, B3 and B5 disclosed in accordance with Schedules 5, 7, 12 and 14 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order) respectively, do not fairly state, in all material respects, the matters to which they relate in accordance with those schedules; and
- the registered bank disclosures relating to credit and market risk exposures and capital adequacy in section B4 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

We have completed a review of the accompanying half year disclosure statement which comprises:

- the interim financial statements formed of:
  - the consolidated balance sheet as at 31 March 2021;
  - the consolidated income statement, 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.
- the registered bank disclosures prescribed in Schedules 5, 7, 9, 12 and 14 of the Order.

#### BASIS FOR CONCLUSION

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

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

Our firm has also provided other services to ANZ New Zealand in relation to review 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 ANZ New Zealand on normal terms within the ordinary course of trading activities of the business of ANZ New Zealand. These matters have not impaired our independence as reviewer of ANZ New Zealand. The firm has no other relationship with, or interest in, ANZ New Zealand.

#### RESPONSIBILITIES OF THE DIRECTORS FOR THE HALF YEAR DISCLOSURE STATEMENT

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

- the preparation and fair presentation of the half year disclosure statement in accordance with IAS 34, NZ IAS 34 and Schedules 3, 5, 7, 12 and 14 of the Order;
- the preparation and fair presentation of ANZ New Zealand's disclosures in regards to credit and market risk exposures and capital adequacy in accordance with Schedule 9 of the Order;
- implementing necessary internal controls to enable the preparation of a half year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE HALF YEAR DISCLOSURE STATEMENT

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

- the interim financial statements do not present fairly, in all material respects, ANZ New Zealand's financial position as at 31 March 2021 and its financial performance and cash flows for the six month period ended on that date;
- the interim financial statements do not, in all material respects, comply with IAS 34 and NZ IAS 34;
- the registered bank disclosures in sections B2, B3, and B5 do not, fairly state, in all material respects, the matters to which it relates in accordance

## INDEPENDENT AUDITOR'S REVIEW REPORT

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with Schedules 5, 7, 12 and 14 of the Order; and

- the registered bank disclosures relating to credit and market risk exposures and capital adequacy in section B4 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

### USE OF THE INDEPENDENT REVIEW REPORT

This independent review report is made solely to the Directors of ANZ New Zealand. Our review work has been undertaken so that we might state to the Directors those matters we are required to state to them in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body for our work, this independent review report, or any of the opinions we have formed.



KPMG  
Auckland

7 May 2021

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