



Supplementary Prospectus Dated 30 August 2019

Australia and New Zealand Banking Group Limited

Australian Business Number 11 005 357 522

(incorporated with limited liability in Australia and registered in the State of Victoria)
as Issuer

ANZ Bank New Zealand Limited

(incorporated with limited liability in New Zealand)

as Issuer and Guarantor of Notes issued by ANZ New Zealand (Int'l) Limited

ANZ New Zealand (Int'l) Limited

(incorporated with limited liability in New Zealand)

as Issuer

US\$60,000,000,000

Euro Medium Term Note Programme

This supplementary prospectus (the "**Supplement**") to the base prospectus of ANZ Bank New Zealand Limited ("**ANZ New Zealand**") and ANZ New Zealand (Int'l) Limited ("**ANZNIL**") dated 21 May 2019 (as supplemented by the supplementary prospectus dated 18 June 2019, the "**Base Prospectus**") constitutes a supplementary prospectus for the purposes of Directive 2003/71/EC and Section 87G of the Financial Services and Markets Act 2000, as that provision stood immediately prior to 21 July 2019, and is prepared in connection with the US\$60,000,000,000 Euro Medium Term Note Programme established by Australia and New Zealand Banking Group Limited ("**ANZBGL**") (as Issuer), ANZ New Zealand (as Issuer and Guarantor of Notes issued by ANZNIL) and ANZNIL (as Issuer). For the avoidance of doubt, this Supplement is not a supplement to the ANZBGL Base Prospectus and shall not update or amend the information contained therein.

The purpose of this Supplement is to:

- (A) update the section entitled "*Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's Position*" under "*Risk Factors*" on pages 39-40 of the Base Prospectus regarding: (i) the RBNZ review of capital requirements; (ii) ANZ New Zealand's operational risk capital issue; and (iii) the RBNZ's notice to ANZ New Zealand under section 95 of the Reserve Bank Act;
- (B) update the section entitled "*Recent Developments*" under "*Description of ANZ Bank New Zealand Limited*" on page 127 of the Base Prospectus in relation to: (i) the RBNZ's review of capital requirements; (ii) the RBNZ's notice to ANZ New Zealand under section 95 of the Reserve Bank Act; (iii) the adjustment to ANZ New Zealand's calculation of capital adequacy; (iv) the FMA's announcement on its review of ANZ New Zealand's reporting of related party transactions; (v) S&P's outlook revision; (vi) Fitch's outlook revision; and (vii) APRA's announcement that it will reduce the limits for Australian ADIs' exposures to related entities by January 2021;
- (C) update the section entitled "*New Zealand Regulatory Developments*" under "*Description of supervision and regulation of ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited*" on pages 132-133 of the Base Prospectus with the recent developments in respect of: (i) the RBNZ's review of capital requirements; (ii) the New Zealand Government's review of the Reserve Bank Act; (iii) the FMA and the RBNZ conduct and culture review; and (iv) the RBNZ's approach to supervision of financial institutions;
- (D) update the section entitled "*Restrictions on ANZBGL's ability to provide financial support*" under "*Australian Regulatory Developments*" on pages 117-119 of the Base Prospectus regarding APRA's announcement that it will reduce the limits for Australian ADIs' exposures to related entities by January 2021; and
- (E) disclose ANZ New Zealand's current Conditions of Registration.

Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read and construed together with, the Base Prospectus.

Each of ANZ New Zealand and ANZNIL accepts responsibility for the information contained in this Supplement and to the best of the knowledge of each of ANZ New Zealand and ANZNIL (which have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

(A) Updates to the section entitled "Risk Factors"

By virtue of this Supplement, the last paragraph of the section entitled "*Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's Position*" under the section entitled "*Risk Factors*" on pages 39-40 of the Base Prospectus is updated with the following:

The RBNZ is also currently undertaking a comprehensive review of the capital adequacy framework for registered banks in New Zealand. For more information about the RBNZ's proposed capital reforms, see "*Regulation and Supervision—New Zealand Regulatory Developments—RBNZ review of capital requirements*" below. The RBNZ's proposed capital reforms would result in substantially higher capital requirements for New Zealand incorporated registered banks currently using IRB models and smaller, although still material, increases in capital requirements for New Zealand incorporated registered banks operating under the Basel Standardised Measurement Approach ("**Standardised approach**"). The increased capital requirements may result in changes to affected banks' business objectives and result in changes to competitive behaviour across the New Zealand banking industry. For example, there may be increased competition between banks using the IRB approach and banks using the Standardised approach, and between those banks affected by the proposed reforms and offshore banks operating in New Zealand via branches that are not affected by the proposed reforms. The increased capital requirements may also affect the price and volume of bank credit made available to affected banks' customers. This may affect customers' business prospects or creditworthiness, as well as the performance of the New Zealand economy.

As at the date of this Base Prospectus, it is uncertain what impact the RBNZ's proposed reforms may have on the ANZ New Zealand Group, apart from requiring a material increase in the level of capital that the ANZ New Zealand Group is required to hold. However, it is possible that the reforms could have a material impact on the ANZ New Zealand Group and its business, including on its capital allocation and business planning. Additionally, the proposed changes would require the ANZ New Zealand Group's ultimate parent company, ANZBGL, to review and reconsider their size, nature and operations in New Zealand, including the total capital invested and business structure.

In April 2019, ANZ New Zealand informed the RBNZ that, in the course of a self-review, ANZ New Zealand discovered that it had not been using an approved model for the calculation of its operational risk capital ("**ORC**") since December 2014. Changes have subsequently been made by the RBNZ to ANZ New Zealand's Conditions of Registration. Effective 15 May 2019, ANZ New Zealand's Conditions of Registration were amended by the RBNZ to require the ANZ New Zealand Group's ORC requirement to be calculated in accordance with "Capital Adequacy Framework (Standardised Approach)" ("**BS2A**"). As a result, as at 31 March 2019, ANZ New Zealand's ORC requirement increased by NZ\$277 million, and its capital ratios decreased by 0.4% for common equity tier 1 capital and 0.6% for total capital.

On 5 July 2019, the RBNZ gave ANZ New Zealand notice under section 95 of the Reserve Bank Act, requiring ANZ New Zealand to engage an external reviewer to provide reports regarding ANZ New Zealand's compliance with the RBNZ's capital adequacy requirements and effectiveness of the director attestation and assurance framework. ANZ New Zealand is working with the RBNZ and an external reviewer to undertake the necessary reviews. The findings from the reviews could result in a range of possible consequences for ANZ New Zealand, including changes to its Conditions of Registration and potential increases in minimum capital requirements. In addition, the FMA and the RBNZ, following their review of ANZ New Zealand's conduct and culture plan, informed ANZ New Zealand that the reviews may result in ANZ New Zealand needing to amend its conduct and culture plan.

(B) Updates to the section entitled "Recent Developments"

By virtue of this Supplement, the section entitled "*Recent Developments*" under "*Description of ANZ*

Bank New Zealand Limited" on page 127 of the Base Prospectus is updated with the following:

(i) RBNZ review of capital requirements: The paragraph under the heading "*RBNZ review of capital requirements*" on page 127 is updated with the following:

The RBNZ is currently undertaking a comprehensive review of the capital adequacy framework for registered banks in New Zealand. As part of the review, the RBNZ has sought public feedback on proposed changes to the definition of eligible capital instruments, the calculation of risk weighted assets and the minimum level of regulatory capital required to be held by locally incorporated banks. The RBNZ has stated that it is aiming to release its final decisions on key components of the capital review by the end of November 2019. As at the date of this Base Prospectus, it is uncertain what impact the RBNZ's proposed reforms may have on the ANZ New Zealand Group, apart from requiring a material increase in the level of capital that it is required to hold. However, it is possible that the reforms could have a material impact on the ANZ New Zealand Group and its business, including on its capital allocation and business planning. Additionally, the proposed changes would require the ANZ New Zealand Group's ultimate parent company, ANZBGL, to review and reconsider their size, nature and operations in New Zealand, including the total capital invested and business structure. For further information, see "*Regulation and Supervision—New Zealand Regulatory Developments—RBNZ review of capital requirements*" below.

(ii) Review under section 95 of the Reserve Bank Act: The section entitled "*Conditions of Registration*" on page 127 is updated with the following:

In April 2019, ANZ New Zealand informed the RBNZ that, in the course of a self-review, ANZ New Zealand discovered that it had not been using an approved model for the calculation of its ORC since December 2014. Effective 15 May 2019, ANZ New Zealand's Conditions of Registration were amended by the RBNZ to require the ANZ New Zealand Group's ORC requirement to be calculated in accordance with BS2A. As a result, as at 31 March 2019, ANZ New Zealand's ORC requirement increased by NZ\$277 million, and its capital ratios decreased by 0.4% for common equity tier 1 capital and 0.6% for total capital.

On 5 July 2019, the RBNZ gave ANZ New Zealand notice under section 95 of the Reserve Bank Act, requiring ANZ New Zealand to engage an external reviewer to provide reports regarding ANZ New Zealand's compliance with the RBNZ's capital adequacy requirements and effectiveness of the director attestation and assurance framework. ANZ New Zealand is working with the RBNZ and an external reviewer to undertake the necessary reviews. The findings from the reviews could result in a range of possible consequences for ANZ New Zealand, including changes to its Conditions of Registration and potential increases in minimum capital requirements. In addition, the FMA and the RBNZ, following their review of ANZ New Zealand's conduct and culture plan, informed ANZ New Zealand that the reviews may result in ANZ New Zealand needing to amend its conduct and culture plan.

(iii) Additional information: The following additional information is included at the end of the "*Recent Developments*" section on page 127:

Calculation of capital adequacy

Following the conclusion of a benchmarking project undertaken by the RBNZ, effective 30 June 2019, ANZ New Zealand's Conditions of Registration have been amended to include a supervisory adjustment to the ANZ New Zealand Group's capital adequacy calculations. This supervisory adjustment introduced minimum pre-scalar risk weightings for residential mortgage exposures and corporate farm lending exposures. As a result, the risk weighted assets supervisory adjustment increased by \$10.5 billion as at 30 June 2019. The benchmarking project assessed the conservatism of housing and rural credit risk models used by banks accredited to model their own credit risk capital requirements.

FMA review of related party transactions

In June 2019, it was reported in the media that a subsidiary of ANZ New Zealand sold an Auckland property to the wife of Mr David Hisco, ANZ New Zealand's former Chief Executive Officer. The property was purchased for \$7.55 million in early 2011 and sold for \$6.9 million in July 2017. Following consultation with the FMA and the RBNZ, ANZ New Zealand provided relevant information regarding its reporting of related party transactions in its financial statements to the FMA.

On 22 August 2019, the FMA announced that it had determined that the ANZ New Zealand Group should have disclosed the sale as a related party transaction in its 2017 financial statements. In the FMA's view, the disclosure was material for financial reporting purposes given the nature of the transaction.

ANZ New Zealand disagrees with the FMA's finding. It considers the transaction was not material information on the basis that this disclosure would not influence the economic decisions of users of its financial statements.

The FMA has informed the RBNZ of its determination, reflecting the RBNZ's role in banking supervision, and as part of the joint focus on conduct and culture. The Australian Securities and Investments Commission, as one of the primary regulators of ANZ New Zealand's ultimate parent company, ANZBGL, has also been informed.

The FMA has engaged with Chartered Accountants Australia and New Zealand as the front line regulator for auditors in New Zealand, for it to consider whether to assess the auditor's procedures in determining the disclosures in the 2017 financial statements.

The FMA noted that it has not assessed the appropriateness of the sale price of the property as this is a matter for other agencies to consider. The FMA is continuing to engage with ANZ New Zealand, and will require ANZ New Zealand to issue a corrective statement relating to the 2017 financial statements. The FMA also expects ANZ New Zealand to review its internal financial reporting in light of this issue.

S&P revises outlook from Negative to Stable

On 9 July 2019, S&P revised to Stable from Negative its outlooks on four major banks in Australia, including ANZBGL. This action followed APRA's announcement on 9 July 2019 to proceed with the implementation of its plan to strengthen Australian banks' loss absorbing capacity. As ANZ New Zealand is a wholly-owned subsidiary of ANZBGL, ANZ New Zealand's credit rating outlook has also been revised to Stable from Negative.

Fitch outlook revision

On 17 July 2019, Fitch Ratings ("**Fitch**") announced that it had revised its outlook for ANZBGL's Long-Term Issuer Default Rating ("**IDR**") to Negative from Stable. ANZBGL's IDR was reaffirmed at AA- with all other ratings unchanged. The outlook is consistent with the other three major Australian banks.

Fitch stated that the main driver for the rating action was APRA's announcement on 11 July 2019 that it was applying additional operational-risk capital requirements to three major Australian banks, including ANZBGL.

As a result, Fitch also revised the outlook for ANZ New Zealand's IDR to Negative from Stable. Fitch reaffirmed ANZ New Zealand's IDR at AA- with all other ratings unchanged.

APRA confirms reduction in limits on Australian ADIs' related entities exposures

On 20 August 2019, APRA confirmed it will implement its previously announced proposal to reduce limits for Australian ADIs' exposures to related entities, reducing limits from 50% of Level 1 total capital to 25% of Level 1 Tier 1 Capital.

ANZBGL's exposure to the ANZ New Zealand Group is impacted by this change. ANZBGL's exposure to ANZ New Zealand is presently expected to be at or around the revised limit. APRA's announcement means that ANZBGL could have limited capacity to increase exposures to the ANZ New Zealand Group, although the final impact will be dependent on a number of factors, including the size and composition of ANZBGL's and the ANZ New Zealand Group's balance sheets at the time of implementation.

While the change announced will not be effective until January 2021, ANZ New Zealand notes APRA's statement that they are open to providing entity-specific transitional arrangements or flexibility on a case-by-case basis. ANZ New Zealand expects this flexibility could include the timeframe available to satisfy the new requirements and the circumstances under which an exemption may be available, such as periods of funding market disruption.

The changes outlined in APRA's announcement could adversely impact the ANZ New Zealand Group's Position, credit ratings and its ability to grow its business. The changes could have a material impact on the ANZ New Zealand Group and its business planning, such as requiring a higher proportion of earnings

to be retained to meet increased capital requirements.

(C) Updates to the section entitled "New Zealand Regulatory Developments"

By virtue of this Supplement, the section entitled "New Zealand Regulatory Developments" under "Description of supervision and regulation of ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited" on pages 132-138 of the Base Prospectus is updated with the following:

(i) RBNZ review of capital requirements: The last two paragraphs under the heading "RBNZ review of capital requirements" on page 133 are updated with the following:

In May 2019, the RBNZ announced that it has commissioned three external experts to independently review its analysis and advice underpinning the capital review proposals. The external experts are expected to provide their final reports to the RBNZ by the end of August 2019. These reports will form part of the suite of information considered by the RBNZ in the final decision-making process of the capital review.

The RBNZ has stated that it plans to announce its final decisions on the capital review by the end of November 2019, with implementation of any new rules starting from April 2020. The RBNZ has indicated that there will be a transition period of a number of years before banks are required to fully comply with any new rules.

The RBNZ's proposed capital reforms would result in substantially higher capital requirements for New Zealand incorporated registered banks currently using IRB models and smaller, although still material, increases in capital requirements for New Zealand incorporated registered banks operating under the Standardised approach.

The increased capital requirements may result in changes to affected banks' business objectives and result in changes to competitive behaviour across the New Zealand banking industry. For example, there may be increased competition between banks using the IRB approach and banks using the Standardised approach, and between those banks affected by the proposed reforms and offshore banks operating in New Zealand via branches that are not affected by the proposed reforms. The increased capital requirements may also affect the price and volume of bank credit made available to affected banks' customers. This may affect customers' business prospects or creditworthiness, as well as the performance of the New Zealand economy.

As at the date of this Base Prospectus, it is uncertain what impact the RBNZ's proposed reforms may have on the ANZ New Zealand Group, apart from requiring a material increase in the level of capital that it is required to hold. However, it is possible that the reforms could have a material impact on the ANZ New Zealand Group and its business, including on its capital allocation and business planning. Additionally, the proposed changes would require the ANZ New Zealand Group's ultimate parent company, ANZBGL, to review and reconsider their size, nature and operations in New Zealand, including the total capital invested and business structure.

(ii) Review of the Reserve Bank Act: The wording under the heading "Review of the Reserve Bank Act" on page 136 is updated with the following:

In November 2017, the New Zealand Government announced that it would undertake a review of the Reserve Bank Act. The goal of the review is to modernise New Zealand's monetary and financial stability policy frameworks and the RBNZ's governance and accountability settings.

The review is being undertaken in two phases:

- (a) Phase one: Phase one of the review was completed in 2018, and resulted in the enactment of the Reserve Bank of New Zealand (Monetary Policy) Amendment Act 2018, which came into force on 1 April 2019. This Act made several changes to New Zealand's monetary policy framework, including establishing a Monetary Policy Committee ("**MPC**") to formulate monetary policy, and amending the RBNZ's monetary policy objectives to require consideration of maximum sustainable employment alongside price stability when making monetary policy decisions.
- (b) Phase two: This phase primarily involves a comprehensive review of the financial policy provisions of the Reserve Bank Act, including provisions that provide the legislative basis for the RBNZ's prudential regulation and supervision functions and its crisis management framework. This phase also considers institutional matters such as the RBNZ's legislative objectives, broader governance arrangements and its funding model. Phase two includes three rounds of public consultation.

The New Zealand Government released the first consultation paper on 1 November 2018, which covered the following topics: the RBNZ's overarching objectives; the 'perimeter' for prudential regulation; the case for and against depositor protection; the case for and against separating prudential supervision from the RBNZ; and the RBNZ's institutional governance and decision-making framework. Consultation closed on the first consultation paper on 25 January 2019. In June 2019, the New Zealand Government announced its in-principle decisions in relation to the issues discussed in the first consultation paper. These include in-principle decisions to: keep the responsibility for all prudential regulation functions with the RBNZ; replace the RBNZ's existing "soundness" and "efficiency" financial policy objectives with a single overarching objective to "protect and enhance the stability of New Zealand's financial system"; establish a new governance board with statutory responsibility over all RBNZ decisions (except those reserved for the MPC); make the New Zealand Treasury responsible for monitoring and assessing the RBNZ's performance; combine the separate regulatory regimes for banks and non-bank deposit takers into a single "licensed deposit taker" framework; and introduce a formal depositor protection scheme that will protect depositors' savings up to an insured limit (currently proposed within a range of NZ\$30,000-50,000).

On 24 June 2019, the New Zealand Government released a second round of consultation, which is set out in two separate consultation papers (2A and 2B). Paper 2A seeks feedback on more detailed elements of the issues covered in the first round of consultation, in light of the Government's in-principle decisions (discussed above). Paper 2B seeks feedback on the RBNZ's role in overseeing New Zealand's financial sector, and covers the following topics: the RBNZ's prudential tools and powers; the RBNZ's approach to supervision and enforcement of prudential regulation; the RBNZ's role in macro-prudential policy; how the RBNZ's balance sheet functions should be formulated; crisis management; policy coordination; and the RBNZ's resourcing and funding. The second round of consultation closed on 16 August 2019.

A third round of consultation is expected later in 2019. This will seek feedback on the preferred options from the second consultation. It is expected that the New Zealand Government will make final policy decisions on phase two, and introduce legislation to implement these decisions, in 2020.

(iii) FMA and RBNZ conduct and culture review: The following paragraph is added to the end of the section entitled "*FMA and RBNZ conduct and culture review*" on page 137:

On 5 July 2019, the FMA and the RBNZ provided ANZ New Zealand with their specific feedback letter. In their letter, the FMA and the RBNZ note that ANZ New Zealand's conduct and culture plan appears to address the relevant issues identified in the feedback letters and published reports. The FMA and the RBNZ note that since their review of ANZ New Zealand's conduct and culture plan, the RBNZ has notified ANZ New Zealand of its intention to require ANZ New Zealand to provide two reports pursuant to section 95 of the Reserve Bank Act, and note that the results of those reviews may require ANZ New Zealand to amend its conduct and culture plan to incorporate those results. The FMA and the RBNZ require ANZ New Zealand to provide a formal progress update on its conduct and culture plan by no later than 31 October 2019.

(iv) RBNZ's approach to supervision of financial institutions: The following additional information is added immediately before the section entitled "*FMA review of sales incentives structures in the New Zealand banking industry*" on page 137:

RBNZ's approach to supervision of financial institutions

In June 2019, the RBNZ announced that it would intensify its supervision of financial institutions (including ANZ New Zealand). The RBNZ indicated that financial institutions could expect more intrusive supervision, including more reviews, a deeper scrutiny of boards and management, and enforcement action in cases of non-compliance.

(D) Update to the section entitled "*Restrictions on ANZBGL's ability to provide financial support*"

By virtue of this Supplement, the paragraph on page 118 of the Base Prospectus in the section entitled "*Restrictions on ANZBGL's ability to provide financial support*" under "*Australian Regulatory Developments*" that states "APRA is currently consulting on the proposed changes... implemented by 1 January 2020" is updated with the following:

On 20 August 2019, APRA confirmed it will implement its proposal to reduce limits for Australian ADIs' exposures to related entities, reducing limits from 50% of Level 1 total capital to 25% of Level 1 Tier 1 Capital. ANZBGL's exposure to the ANZ New Zealand Group is impacted by this change.

ANZBGL's exposure to ANZ New Zealand is presently expected to be at or around the revised limit. APRA's announcement means that ANZBGL could have limited capacity to increase exposures to the ANZ New Zealand Group, although the final impact will be dependent on a number of factors, including the size and composition of ANZBGL's and the ANZ New Zealand Group's balance sheets at the time of implementation.

While the change announced will not be effective until January 2021, ANZ New Zealand notes APRA's statement that they are open to providing entity-specific transitional arrangements or flexibility on a case-by-case basis. ANZ New Zealand expects this flexibility could include the timeframe available to satisfy the new requirements and the circumstances under which an exemption may be available, such as periods of funding market disruption.

The changes outlined in APRA's announcement could adversely impact the ANZ New Zealand Group's Position, its credit ratings and its ability to grow its business. The changes could have a material impact on the ANZ New Zealand Group and its business planning, such as requiring a higher proportion of earnings to be retained to meet increased capital requirements.

(E) Conditions of Registration for ANZ New Zealand

By virtue of this Supplement, the section entitled "*Conditions of registration for ANZ Bank New Zealand Limited*" on pages 138-146 of the Base Prospectus is updated with the updated Conditions of Registration for ANZ New Zealand contained in Annex A to this Supplement.

A copy of this Supplement has been filed with the National Storage Mechanism and will be available for inspection at www.morningstar.co.uk/uk/nsm.

To the extent that there is any inconsistency between any statement contained in this Supplement or in any information or document incorporated by reference into, and forming part of, this Supplement and any other statement contained in the Base Prospectus or in any information or document incorporated by reference into, and forming part of, the Base Prospectus, the statements contained in this Supplement or in any information or document incorporated by reference into, and forming part of, this Supplement will prevail.

Save as disclosed in this Supplement or in any document incorporated by reference into, and forming part of, this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

ANNEX A

Conditions of Registration for ANZ Bank New Zealand Limited

These conditions apply on and after 30 June 2019. For the purposes of this section references to "\$" are to New Zealand dollars.

For information regarding the changes made to these conditions since 30 September 2018, see the sections entitled "Conditions of Registration" in B1 General Disclosures on page 14 of ANZ New Zealand's unaudited interim consolidated financial statements for the half-year ended 31 March 2019, which are incorporated by reference into this Base Prospectus and the sections entitled "*Description of Supervision and Regulation of ANZ Bank New Zealand Limited and ANZ New Zealand (Int'l) Limited—New Zealand Regulatory Developments—RBNZ prudential credit controls*" and "*Description of ANZ Bank New Zealand Limited—Recent Developments—Calculation of Capital Adequacy*" and "*—Calculation of operational risk capital and review under section 95 of the Reserve Bank Act*".

The registration of ANZ Bank New Zealand Limited ("**the bank**") as a registered bank is subject to the following conditions:

1. That—
 - (a) the Total capital ratio of the banking group is not less than 8%;
 - (b) the Tier 1 capital ratio of the banking group is not less than 6%;
 - (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;
 - (d) the Total capital of the banking group is not less than \$30 million;
 - (e) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and
 - (f) the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

"supervisory adjustment" referred to in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 is calculated as the scalar times the sum of:

- (a) the greater of:
 - i. 27.66 percent of the exposure-at-default (EAD) amount of non-defaulted standard residential mortgage loans less the risk weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted standard residential mortgage loans; and
 - ii. zero;and
- (b) the greater of:
 - i. 75.47 percent of the exposure-at-default (EAD) amount of non-defaulted corporate farm lending exposures less the risk weighted asset amount (without scalar) calculated using the bank's approved IRB models for non-defaulted corporate farm lending exposures; and
 - ii. zero;

"standard residential mortgage loan" has the same meaning as in 4.7(a) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B), dated November 2015;

"corporate farm lending exposures" has the same meaning as in 4.4(c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015;

the scalar referred to in the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 and elsewhere in this condition of registration is 1.06;

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" has the same meaning as in Part 9 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

"Total capital" has the same meaning as in Part 2 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 2.13(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015.

a Tier 2 capital instrument is an instrument that meets the requirements of subsection 2.16(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015.

1A. That—

- (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;
- (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the bank complies with the minimum requirements set out in the following sections of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015:

- (a) the model approval requirements in section 1.3A;
- (b) the compendium requirements in section 1.3B;
- (c) the minimum requirements for the IRB approach in sections 4.217 to 4.324 (that is, Subpart 4C of BS2B); and
- (d) the minimum qualitative requirements for using the Advanced Measurement Approach ("AMA") for operational risk set out in section 8.4(a) and sections 8.5 to 8.14.

1C. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:

- (a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the banking group's buffer ratio:

Banking group's buffer ratio	Percentage limit to distributions of the bank's earnings
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	60%

- (b) prepare a capital plan to restore the banking group's buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and
- (c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration,—

"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015, except that in the formula for calculating the buffer ratio, the term "total capital requirement for operational risk" has the same meaning as in Part 9 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015.

the scalar referred to in the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 is 1.06.

- 2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

- 3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

- (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank¹	Connected exposure limit (% of the banking group's Tier¹)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

(1) This table uses the rating scales of S&P, Fitch and Moody's. (Fitch's scale is identical to S&P.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated November 2015.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the bank complies with the following corporate governance requirements:
- (a) the board of the bank must have at least five directors;
 - (b) the majority of the board members must be non-executive directors;
 - (c) at least half of the board members must be independent directors;
 - (d) an alternate director,—
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
 - (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
 - (f) the chairperson of the board of the bank must be independent; and
 - (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
8. That a person must not be appointed as chairperson of the board of the bank unless:

- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
- (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
 - (b) the committee must have at least three members;
 - (c) every member of the committee must be a non-executive director of the bank;
 - (d) the majority of the members of the committee must be independent; and
 - (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:
- (a) that the bank's clearing and settlement obligations due on a day can be met on that day;
 - (b) that the bank's financial risk positions on a day can be identified on that day;
 - (c) that the bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
 - (d) that the bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

This condition ceases to apply in respect of an existing outsourcing arrangement on the earlier of either 1 October 2022 or when the existing outsourcing arrangement becomes compliant with condition 24, from which point in time condition 24 will apply to that outsourcing arrangement.

For the purposes of this condition of registration:

- (a) the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006; and
 - (b) the term "existing outsourcing arrangement" is defined in the Reserve Bank of New Zealand document entitled "Outsourcing Policy (BS11)" dated September 2017.
12. That:
- (a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
 - (b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and

- (c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.
13. That the banking group complies with the following quantitative requirements for liquidity-risk management:
- (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
 - (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated January 2018 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2018.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
 - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
 - (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
 - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.
15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

- (a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
- (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
- (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That—
- (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

- (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
 - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
- (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
- (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
 - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
 - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—
- (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—
 - (i) all liabilities are frozen in full; and
 - (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;
 - (b) apply a *de minimis* to relevant customer liability accounts;
 - (c) apply a partial freeze to the customer liability account balances;
 - (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;
 - (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and
 - (f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "*de minimis*", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That the bank has an Implementation Plan that—
- (a) is up-to-date; and
 - (b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated September 2013.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

19. That the bank has a compendium of liabilities that—
- (a) at the product-class level lists all liabilities, indicating which are—
 - (i) pre-positioned for Open Bank Resolution; and
 - (ii) not pre-positioned for Open Bank Resolution;
 - (b) is agreed to by the Reserve Bank; and
 - (c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

21. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
22. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
23. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.
24. That the bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2017.

In these conditions of registration,—

"banking group" means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 21 to 23,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan"

have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019:

"loan-to-valuation measurement period" means—

- (a) the three calendar month period ending on the last day of March 2019; and
- (b) thereafter a period of three calendar months ending on the last day of the third calendar month, the first of which ends on the last day of April 2019.

Calculation of operational risk capital and review under section 95 of the Reserve Bank Act

In April 2019, ANZ New Zealand informed the RBNZ that, in the course of a self-review, ANZ New Zealand discovered that it had not been using an approved model for the calculation of the ORC requirement since December 2014.

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

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

Effective 15 May 2019, ANZ New Zealand's Conditions of Registration have been amended to require the ANZ New Zealand Group's ORC requirement to be calculated in accordance with BS2A. As a result, as at 31 March 2019, ANZ New Zealand's ORC requirement has increased by NZ\$277 million, and its capital ratios have decreased by 0.4 per cent. for common equity tier 1 capital and 0.6 per cent. for total capital.

A governance framework including appropriate systems and controls has been put in place to seek to ensure ANZBGL cannot decommission an RBNZ approved model without required approvals.

On 5 July 2019, the RBNZ gave ANZ New Zealand notice under section 95 of the Reserve Bank Act, requiring ANZ New Zealand to engage an external reviewer to provide reports regarding ANZ New Zealand's compliance with the RBNZ's capital adequacy requirements and effectiveness of the director attestation and assurance framework. ANZ New Zealand is working with the RBNZ and an external reviewer to undertake the necessary reviews. The findings from the reviews could result in a range of possible consequences for ANZ New Zealand, including changes to its Conditions of Registration and potential increases in minimum capital requirements. In addition, the FMA and the RBNZ, following their review of ANZ New Zealand's conduct and culture plan, informed ANZ New Zealand that the reviews may result in ANZ New Zealand needing to amend its conduct and culture plan.

See "*Conditions of Registration*" under B1 General Disclosures in ANZ New Zealand's unaudited interim consolidated financial statements for the half-year ended 31 March 2019 and "*Regulation and Supervision—New Zealand Regulatory Developments—FMA and RBNZ conduct and culture review*".