ANZ HOLDINGS (NEW ZEALAND) LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2024

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GLOSSARY

In these financial statements unless the context otherwise requires:

Bank means ANZ Bank New Zealand Limited.

Banking Group means the Bank and all its controlled entities.

Company means ANZ Holdings (New Zealand) Limited.

ANZ Holdings Group, We or Our means the Company and all its controlled entities.

Immediate Parent Company means ANZ Funds Pty. Ltd.

Ultimate Non-Bank Holding Company, ANZGHL means ANZ Group Holdings Limited.

ANZ Group means the worldwide operations of ANZGHL including its controlled entities.

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

Overseas Banking Group means the worldwide operations of the Ultimate Parent Bank including its controlled entities.

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

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

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

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

Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the ANZ Holdings Group's address for service.

RBNZ means the Reserve Bank of New Zealand.

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INCOME STATEMENT

For the year ended 30 September	Note	2024 NZ$m	2023 NZ$m
Interest income		11,914	10,215
Interest expense		(7,614)	(5,992)
Net interest income	2	4,300	4,223
Other operating income	2	479	619
Operating income		4,779	4,842
Operating expenses	3	(1,760)	(1,662)
Profit before credit impairment and income tax		3,019	3,180
Credit impairment charge	12	(44)	(183)
Profit before income tax		2,975	2,997
Income tax expense	4	(845)	(831)
Profit for the year		2,130	2,166
Comprising:			
Profit attributable to the shareholder of the Company		2,095	2,139
Profit attributable to non-controlling interests		35	27

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2024 NZ$m	2023 NZ$m
Profit after tax	2,130	2,166
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain on defined benefit schemes	3	7
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised gains / (losses) recognised directly in equity	164	(181)
Realised gains transferred to the income statement	(2)	(16)
Income tax attributable to the above items	(46)	54
Other comprehensive income after tax	119	(136)
Total comprehensive income for the year	2,249	2,030
Comprising total comprehensive income attributable to:		
The shareholder of the Company	2,214	2,003
Non-controlling interests	35	27

The notes appearing on pages 8 to 65 form an integral part of these financial statements

BALANCE SHEET

As at 30 September	Note	2024 NZ$m	2023 NZ$m
Assets			
Cash and cash equivalents	7	11,634	13,094
Settlement balances receivable		574	401
Collateral paid		1,041	801
Trading securities	8	5,576	5,921
Derivative financial instruments	9	10,177	8,750
Investment securities	10	13,295	10,958
Net loans and advances	11	151,666	149,321
Deferred tax assets	4	417	395
Goodwill and other intangible assets	19	3,094	3,119
Premises and equipment		363	371
Other assets		1,334	1,153
Total assets		199,171	194,284
Liabilities			
Settlement balances payable		5,367	2,920
Collateral received		525	1,500
Deposits and other borrowings	13	144,283	143,316
Derivative financial instruments	9	11,179	8,326
Current tax liabilities		254	58
Payables and other liabilities		2,468	1,966
Employee entitlements		121	122
Other provisions	20	212	209
Debt issuances	14	18,487	19,432
Total liabilities		182,896	177,849
Net assets		16,275	16,435
Shareholders' equity			
Share capital	21	14,544	11,044
Reserves	21	24	(93)
Retained earnings	21	882	4,934
Equity attributable to the shareholder of the Company	21	15,450	15,885
Non-controlling interests	21	825	550
Total shareholders' equity	21	16,275	16,435

The notes appearing on pages 8 to 65 form an integral part of these financial statements

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CASH FLOW STATEMENT

For the year ended 30 September	2024 NZ$m	2023 NZ$m
Profit after income tax	2,130	2,166
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Depreciation and amortisation	109	114
Loss/(gain) on sale and impairment of premises and equipment and lease remeasurements	1	(7)
Net derivatives/foreign exchange adjustment	721	533
Other non-cash movements	(88)	(146)
Net (increase)/decrease in operating assets:		
Collateral paid	(240)	871
Trading securities	345	1,307
Net loans and advances	(2,345)	(2,254)
Other assets	(353)	255
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings (excluding items included in financing activities)	2,039	973
Settlement balances payable	2,447	(2,013)
Collateral received	(975)	(462)
Other liabilities	678	369
Total adjustments	2,339	(460)
Net cash provided by operating activities[1]	4,469	1,706
Cash flows from investing activities		
Investment securities:		
Purchases	(4,297)	(4,768)
Proceeds from sale or maturity	2,905	5,414
Other assets	(35)	(28)
Net cash provided by/(used in) investing activities	(1,427)	618
Cash flows from financing activities		
Deposits and other borrowings[2]	(1,072)	1,000
Debt issuances:[3]		
Issue proceeds	2,567	3,020
Redemptions	(3,538)	(4,407)
Proceeds from issue of perpetual preference shares	271	-
Repayment of lease liabilities	(50)	(46)
Dividends paid[4]	(2,680)	(1,372)
Net cash used in financing activities	(4,502)	(1,805)
Net change in cash and cash equivalents	(1,460)	519
Cash and cash equivalents at beginning of year	13,094	12,575
Cash and cash equivalents at end of year	11,634	13,094

1 Net cash provided by operating activities includes income taxes paid of NZ$717 million (2023: NZ$1,051 million).
2 Movement in deposits and other borrowings include repayments of repurchase transactions entered into with the RBNZ under the Term Lending Facility of NZ$72 million and NZ$1,000 million under the Funding for Lending Programme (2023: amount drawn under the Funding for Lending Programme of NZ$1,000 million).
3 Movement in debt issuances (Note 14 Debt issuances) also includes a NZ$787 million decrease (2023: NZ$590 million decrease) from the effect of foreign exchange rates, a NZ$811 million increase (2023: NZ$82 million increase) from changes in fair value hedging instruments and a NZ$2 million increase (2023: NZ$3 million increase) from other changes.
4 Non-cash dividend paid to the Immediate Parent Company of NZ$3,500 million in August 2024 was used to purchase redeemable preferences shares in the Company.

The notes appearing on pages 8 to 65 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ$m	Reserves NZ$m	Retained earnings NZ$m	Equity attributable to the shareholder of the Company NZ$m	Non-controlling interests NZ$m	Total shareholders' equity NZ$m
As at 1 October 2022	11,044	48	4,135	15,227	550	15,777
Profit for the year	-	-	2,139	2,139	27	2,166
Other comprehensive income for the year	-	(141)	5	(136)	-	(136)
Total comprehensive income for the year	-	(141)	2,144	2,003	27	2,030
Transactions with equity holders in their capacity as equity owners:						
Ordinary dividends paid	-	-	(1,345)	(1,345)	-	(1,345)
Perpetual preference dividends paid	-	-	-	-	(27)	(27)
As at 30 September 2023	11,044	(93)	4,934	15,885	550	16,435
Profit for the year	-	-	2,095	2,095	35	2,130
Other comprehensive income for the year	-	117	2	119	-	119
Total comprehensive income for the year	-	117	2,097	2,214	35	2,249
Transactions with equity holders in their capacity as equity owners:						
Ordinary dividends paid	-	-	(6,145)	(6,145)	-	(6,145)
Redeemable preference shares issued	3,500	-	-	3,500	-	3,500
Perpetual preference shares issued (net of issue costs)	-	-	(4)	(4)	275	271
Perpetual preference dividends paid	-	-	-	-	(35)	(35)
As at 30 September 2024	14,544	24	882	15,450	825	16,275

The notes appearing on pages 8 to 65 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

GENERAL INFORMATION

These are the consolidated financial statements for ANZ Holdings (New Zealand) Limited (the Company) and its controlled entities (together, the ANZ Holdings Group) for the year ended 30 September 2024. The Company is incorporated and domiciled in New Zealand. The address of the Company's registered office and its principal place of business is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand.

On 13 November 2024, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the ANZ Holdings Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the ANZ Holdings Group's business during the period – for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the ANZ Holdings Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative or other regulatory requirements.

This section of the financial statements:

- outlines the basis upon which the ANZ Holdings Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

The Company is not publicly accountable, but has elected to apply Tier 1 Accounting Standards to these financial statements, prepared by a 'for profit' entity. These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

The Company is required by the Tax Administration Act 1994 to prepare financial statements and has opted to prepare separate general purpose financial statements in accordance with Tier 2 For-profit Accounting Requirements.

We present the financial statements of the ANZ Holdings Group in New Zealand dollars, which is the ANZ Holdings Group's functional and presentation currency. We have rounded values to the nearest million dollars (NZ$m), unless otherwise stated.

Certain comparative amounts have been restated to conform with the basis of presentation in the current year.

BASIS OF MEASUREMENT AND PRESENTATION

We have prepared the financial information in accordance with the historical cost basis - except for the following assets and liabilities which we have stated at their fair values:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged items;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

BASIS OF CONSOLIDATION

The consolidated financial statements of the ANZ Holdings Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the ANZ Holdings Group when we determine that the ANZ Holdings Group has control over the entity. Control exists when the ANZ Holdings Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the ANZ Holdings Group the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the ANZ Holdings Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items classified as FVTPL and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at FVOCI, translation differences are included in other comprehensive income.

FIDUCIARY ACTIVITIES

The ANZ Holdings Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the ANZ Holdings Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If the ANZ Holdings Group is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the ANZ Holdings Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

The global economy continues to face challenges associated with inflation and interest rate uncertainties, continuing trade and geopolitical tensions, and impacts from climate change, which contribute to an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The ANZ Holdings Group is exposed to climate risk either directly through its operations or indirectly, for example, through lending to customers. Climate risk may also be a driver of other risks within our risk management framework. Our most material climate risks arise from lending to business and retail customers, which contributes to credit risk.

The ANZ Holdings Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2024 about future events considered reasonable in the circumstances. Thus, there is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further in the relevant notes of these financial statements, along with assumptions and judgements made in relation to other key estimates. Readers should consider these disclosures in light of the inherent uncertainties described above.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

Accounting policies have been consistently applied, unless otherwise noted.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

Amendments to New Zealand Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends NZ IAS 12 *Income Taxes* (NZ IAS 12). It clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences which may apply to leases and decommissioning or restoration obligations. This amendment was effective for the ANZ Holdings Group from 1 October 2023 and did not have a material impact on the ANZ Holdings Group.

INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES

The Organisation for Economic Co-Operation and Development published the Pillar Two Model Rules in December 2021 which are designed to ensure large multinational enterprises pay a minimum level of tax of 15% in each of the jurisdictions where they operate. A number of countries in which the ANZ Group operates have implemented or announced the proposed implementation of the Pillar Two rules including New Zealand.

Pillar Two legislation was enacted in New Zealand in March 2024 and will be effective for the ANZ Holdings Group from 1 October 2025.

The External Reporting Board (XRB) issued International Tax Reform – Pillar Two Model Rules (Amendments to NZ IAS 12) in July 2023 to address the Pillar Two Model rules. The ANZ Holdings Group has applied the mandatory exemption in para 4A of this standard and has not recognised or disclosed any associated deferred taxes.

The ANZ Holdings Group has assessed the potential impact from the Pillar Two legislation and does not expect a material exposure, if any, once the Pillar Two legislation becomes effective.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2024 and have not been applied by the ANZ Holdings Group in preparing these financial statements. Further details of these are set out below.

NZ IFRS 18 *PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS*

In May 2024, the XRB issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) which updates and replaces requirements for the presentation and disclosure of information in financial statements. NZ IFRS 18 introduces new defined subtotals to be presented in the consolidated income statement, disclosure of management-defined performance measures and requirements for grouping of information. This standard will be effective for the financial year beginning 1 October 2027. We are currently assessing the impact of adopting this standard.

CLASSIFICATION AND MEASUREMENT AMENDMENTS TO NZ IFRS 9 *FINANCIAL INSTRUMENTS* (NZ IFRS 9)

In June 2024, the XRB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends requirements related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance and similar features. The amendments will be effective for the financial year beginning 1 October 2026. We are currently assessing the impact of adopting the amendments.

LEASE LIABILITY IN A SALE AND LEASEBACK

Amendments to New Zealand Accounting Standards – Lease Liability in a Sale and Leaseback amends NZ IFRS 16 *Leases* and specifies the accounting for variable lease payments by seller-lessees in sale and leaseback transactions. The amendment is effective from 1 October 2024 and will not have a material impact on the ANZ Holdings Group.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING INCOME

	2024 NZ$m	2023 NZ$m
Net interest income		
Interest income by type of financial asset		
Financial assets at amortised cost	11,226	9,645
Trading securities	249	246
Investment securities	409	304
Financial assets at FVTPL	30	20
Interest income	11,914	10,215
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(7,386)	(5,781)
Financial liabilities designated at FVTPL	(228)	(211)
Interest expense	(7,614)	(5,992)
Net interest income	4,300	4,223
Other operating income		
Fee and commission income		
Lending fees	19	28
Non-lending fees	715	729
Commissions	29	33
Funds management income	246	244
Fee and commission income	1,009	1,034
Fee and commission expense	(515)	(530)
Net fee and commission income	494	504
Other income		
Net foreign exchange earnings and other financial instruments income[1]	(27)	71
Loss on sale of mortgages to the NZ Branch	-	(1)
Adjustment to gain on sale of UDC Finance Ltd	2	25
Gain on sale of premises and equipment	1	10
Other	9	10
Other income	(15)	115
Other operating income	479	619
Operating income	4,779	4,842

1 Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at FVTPL.

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest income and expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at FVOCI, and assets and liabilities designated at FVTPL. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at amortised cost and FVOCI. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

OTHER OPERATING INCOME

Fee and commission income

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product.
- non-lending fees include fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international transaction fees. Where the ANZ Holdings Group provides multiple goods or services to a customer under the same contract, the ANZ Holdings Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the ANZ Holdings Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission retained as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and asset management services. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered.

Net foreign exchange earnings and other financial instruments income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised;
- fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges that we use to manage interest rate and foreign exchange risk on funding instruments;
- the ineffective portions of fair value hedges and cash flow hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments to items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at FVTPL or held for trading;
- amounts released from the FVOCI reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES

	2024 NZ$m	2023 NZ$m
Personnel		
Salaries and related costs	1,021	974
Superannuation costs	31	29
Other	38	19
Personnel	1,090	1,022
Premises		
Rent	19	17
Depreciation	74	78
Other	40	37
Premises	133	132
Technology		
Depreciation and amortisation	35	36
Subscription licences and outsourced services	193	186
Other	29	22
Technology	257	244
Other		
Advertising and public relations	39	38
Professional fees	76	80
Freight, stationery, postage and communication	43	46
Charges from ANZ Group	68	63
Other	54	37
Other	280	264
Operating expenses	1,760	1,662

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the ANZ Holdings Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS – ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the ANZ Holdings Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of government bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the ANZ Holdings Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

4. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	2024 NZ$m	2023 NZ$m
Profit before income tax	2,975	2,997
Prima facie income tax expense at 28%	833	839
Tax effect of permanent differences:		
Tax provisions no longer required	-	(3)
Non-assessable income and non-deductible expenditure	12	(5)
Income tax expense	845	831
Current tax expense	909	836
Adjustments recognised in the current year in relation to the current tax of prior years	(1)	(2)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(63)	(3)
Income tax expense	845	831
Effective tax rate	28.4%	27.7%

DEFERRED TAX ASSETS AND LIABILITIES

	2024 NZ$m	2023 NZ$m
Deferred tax assets balances comprise temporary differences attributable to:		
Amounts recognised in the income statement:		
Collectively assessed allowances for expected credit losses	222	222
Individually assessed allowances for expected credit losses	19	18
Provision for employee entitlements	55	52
Other provisions	21	24
Software	130	146
Lease liabilities[1]	67	61
Other	12	11
Total	526	534
Amounts recognised directly in other comprehensive income:		
Cash flow hedge reserve	-	21
Total	-	21
Total deferred tax assets (before set-off)	526	555
Set-off of deferred tax balances pursuant to set-off provisions	(109)	(160)
Net deferred tax assets	417	395

	2024 NZ$m	2023 NZ$m
Deferred tax liabilities balances comprise temporary differences attributable to:		
Amounts recognised in the income statement:		
Finance leases	-	83
Fixed assets	6	3
Right of use assets[1]	54	46
Other	29	28
Total	89	160
Amounts recognised directly in other comprehensive income:		
Cash flow hedge reserve	20	-
Total	20	-
Total deferred tax liabilities (before set-off)	109	160
Set-off of deferred tax balances pursuant to set-off provisions	(109)	(160)
Net deferred tax liabilities	-	-

1 Comparative amounts have been adjusted to reflect the adoption of amendments to NZ IAS 12 related to right-of-use assets and lease liabilities that arise from a single transaction.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX (continued)

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax expense is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends	Amount per share	Total dividend NZ$m
Financial Year 2023		
Dividend paid in March 2023	230.1 cents	870
Dividend paid in September 2023	125.6 cents	475
Dividends paid during the year ended 30 September 2023		1,345
Financial Year 2024		
Dividend paid in March 2024	286.9 cents	1,085
Dividend paid in August 2024	925.6 cents	3,500
Dividend paid in September 2024	412.5 cents	1,560
Dividends paid during the year ended 30 September 2024		6,145

IMPUTATION CREDIT ACCOUNT

	ANZ Holdings Group		Bank[1]	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Imputation credits available as at 30 September	8,951	8,872	830	1,396

1 Imputation credits available to the Bank are shown separately as this is relevant for holders of perpetual preference shares (refer to Note 21 Shareholders' equity) issued by the Bank.

The imputation credit balance for the ANZ Holdings Group includes the imputation credit balance in relation to the New Zealand resident imputation group, the Bank consolidated imputation group and other companies in the ANZ Holdings Group that are not in either of these imputation groups. The imputation credit balance available to the ANZ Holdings Group includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

The imputation credit balance for the Bank reflects the imputation credit balance of the Bank consolidated imputation group. The imputation credit balance available to the Bank includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

6. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The ANZ Holdings Group is organised into three major business segments for segment reporting purposes - Personal, Business & Agri and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

Segment reporting has been updated to reflect minor changes to the ANZ Holdings Group's structure. Comparative amounts have been adjusted to be consistent with the current period's segment definitions.

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

Business & Agri
Business & Agri provides a full range of banking services through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional
The Institutional division services governments, global institutional and corporate customers via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance, and sustainable finance solutions.
- Markets provides customers with risk management services in foreign exchange, interest rates, credit, commodities, and debt capital markets in addition to managing the ANZ Holdings Group's interest rate exposure and high quality liquid asset portfolio.

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

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

	Personal		Business & Agri		Institutional		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Year ended 30 September	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m	NZ$m
Net interest income	2,380	2,386	1,013	1,014	753	701	154	122	4,300	4,223
Net fee and commission income										
- Lending fees	8	7	-	1	11	20	-	-	19	28
- Non-lending fees	449	437	217	243	51	51	(2)	(2)	715	729
- Commissions	28	32	-	-	1	1	-	-	29	33
- Funds management income	246	244	-	-	-	-	-	-	246	244
- Fee and commission expense	(345)	(341)	(170)	(189)	-	-	-	-	(515)	(530)
Net fee and commission income	386	379	47	55	63	72	(2)	(2)	494	504
Other income	-	1	-	-	242	271	(257)	(157)	(15)	115
Other operating income	386	380	47	55	305	343	(259)	(159)	479	619
Operating income	2,766	2,766	1,060	1,069	1,058	1,044	(105)	(37)	4,779	4,842
Operating expenses	(1,213)	(1,149)	(276)	(241)	(248)	(235)	(23)	(37)	(1,760)	(1,662)
Profit before credit impairment and income tax	1,553	1,617	784	828	810	809	(128)	(74)	3,019	3,180
Credit impairment release / (charge)	17	(49)	(47)	(73)	(14)	(61)	-	-	(44)	(183)
Profit before income tax	1,570	1,568	737	755	796	748	(128)	(74)	2,975	2,997
Income tax expense	(442)	(439)	(207)	(211)	(223)	(210)	27	29	(845)	(831)
Non-controlling interests	-	-	-	-	-	-	(35)	(27)	(35)	(27)
Profit / (loss) after income tax[1]	1,128	1,129	530	544	573	538	(136)	(72)	2,095	2,139
Financial position										
Goodwill	1,042	1,042	695	695	1,269	1,269	-	-	3,006	3,006
Net loans and advances	110,149	106,138	23,952	24,424	17,565	18,759	-	-	151,666	149,321
Customer deposits	91,814	88,086	17,996	18,345	26,353	26,098	-	-	136,163	132,529

1 Attributable to the shareholder of the Company.

OTHER SEGMENT

The Other segment profit after income tax comprises:

For the year ended 30 September	2024 NZ$m	2023 NZ$m
Personal and Business & Agri central functions	6	3
Group Centre	43	47
Economic hedges	(185)	(122)
Total	(136)	(72)

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to the note disclosures that follow.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under NZ IFRS 9: amortised cost, FVTPL and FVOCI. Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and other balances, as outlined below, that are convertible into cash with an insignificant risk of changes in value and with remaining maturities of three months or less, including reverse repurchase agreements.

	2024 NZ$m	2023 NZ$m
Coins, notes and cash at bank	149	155
Securities purchased under agreements to resell in less than 3 months	1,762	668
Balances with central banks	9,451	12,139
Settlement balances receivable within 3 months	272	132
Cash and cash equivalents	**11,634**	13,094

NOTES TO THE FINANCIAL STATEMENTS

8. TRADING SECURITIES

	2024 NZ$m	2023 NZ$m
Government securities	4,869	5,249
Corporate and financial institution securities	707	672
Trading securities	5,576	5,921

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in profit or loss.

Assets disclosed as trading securities are subject to the general classification and measurement policy for financial assets outlined on page 17.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value	Assets 2024 NZ$m	Liabilities 2024 NZ$m	Assets 2023 NZ$m	Liabilities 2023 NZ$m
Derivative financial instruments - held for trading	9,247	(10,135)	7,525	(6,632)
Derivative financial instruments - designated in hedging relationships	930	(1,044)	1,225	(1,694)
Derivative financial instruments	10,177	(11,179)	8,750	(8,326)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract – sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The ANZ Holdings Group's derivative financial instruments have been categorised as follows:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the ANZ Holdings Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in hedging relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the ANZ Holdings Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The ANZ Holdings Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The ANZ Holdings Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign exchange	Currencies at current or determined rates of exchange.
Interest rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa, and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The ANZ Holdings Group uses central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the ANZ Holdings Group's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading are:

Fair value	Assets 2024 NZ$m	Liabilities 2024 NZ$m	Assets 2023 NZ$m	Liabilities 2023 NZ$m
Interest rate contracts				
Forward rate agreements	-	-	1	(2)
Futures contracts	3	(70)	38	(2)
Swap agreements	3,015	(2,903)	1,523	(1,640)
Options	1	(1)	-	(10)
Total	3,019	(2,974)	1,562	(1,654)
Foreign exchange contracts				
Spot and forward contracts	2,356	(2,954)	1,856	(1,739)
Swap agreements	3,793	(4,127)	4,046	(3,183)
Options	33	(33)	29	(27)
Total	6,182	(7,114)	5,931	(4,949)
Commodity contracts and credit default swaps	46	(47)	32	(29)
Derivative financial instruments - held for trading	9,247	(10,135)	7,525	(6,632)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

Under the accounting policy choice provided by NZ IFRS 9, the ANZ Holdings Group has continued to apply the hedge accounting requirements of NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39).

The ANZ Holdings Group uses two types of hedge accounting relationships:

	Fair value hedge	Cash flow hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.
Recognition of ineffective hedge portion	Recognised immediately in other operating income.	
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments designated in hedging relationships are:

	2024			2023		
	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m	Nominal amount NZ$m	Assets NZ$m	Liabilities NZ$m
Fair value hedges						
Interest rate swap agreements	28,106	661	(721)	27,328	988	(1,285)
Cash flow hedges						
Interest rate swap agreements	30,383	269	(323)	36,022	237	(409)
Derivative financial instruments - designated in hedging relationships	58,489	930	(1,044)	63,350	1,225	(1,694)

The maturity profile of the nominal amounts of our hedging instruments held is:

Nominal amount	Average interest rate	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	Total NZ$m
As at 30 September 2024						
Fair value hedges						
Interest rate	2.03%	373	1,880	16,843	9,010	28,106
Cash flow hedges						
Interest rate	4.62%	6,025	6,495	15,727	2,136	30,383
As at 30 September 2023						
Fair value hedges						
Interest rate	1.76%	434	2,695	14,261	9,938	27,328
Cash flow hedges						
Interest rate	3.59%	4,747	9,389	19,462	2,424	36,022

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness						Amount reclassified from the cash flow hedge reserve to profit or loss[4]	
	Change in value of hedging instrument[2]		Change in value of hedged item		Hedge ineffectiveness recognised in profit or loss[3]			
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Fair value hedges[1]								
Interest rate	(65)	(54)	68	77	3	23	-	-
Cash flow hedges[1]								
Interest rate	149	(114)	(150)	114	-	(1)	(1)	1

1 All hedging instruments are classified as derivative financial instruments.
2 Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.
3 Recognised in other operating income.
4 Recognised in net interest income and other operating income.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the ANZ Holdings Group's fair value hedges are:

	Balance sheet presentation	Hedged risk	Carrying amount Assets NZ$m	Carrying amount Liabilities NZ$m	Accumulated fair value hedge adjustments on the hedged item Assets NZ$m	Accumulated fair value hedge adjustments on the hedged item Liabilities NZ$m
As at 30 September 2024						
Fixed rate debt issuance	Debt issuances	Interest rate	-	(15,313)	-	412
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	12,443	-	39	-
Total			12,443	(15,313)	39	412
As at 30 September 2023						
Fixed rate debt issuance	Debt issuances	Interest rate	-	(17,630)	-	1,223
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	9,395	-	(837)	-
Total			9,395	(17,630)	(837)	1,223

1 The carrying amount of debt instruments at FVOCI does not include the fair value hedge adjustment. The fair value hedge adjustment is included in other comprehensive income.

The hedged items in relation to the ANZ Holdings Group's cash flow hedges are:

	Hedged risk	Continuing hedges 2024 NZ$m	Continuing hedges 2023 NZ$m	Discontinued hedges 2024 NZ$m	Discontinued hedges 2023 NZ$m
Floating rate loans and advances	Interest rate	186	(358)	-	-
Floating rate customer deposits	Interest rate	(114)	283	-	(1)

All cash flow hedges relate to hedges of interest rate risk and the movements in the cash flow hedge reserve are shown in the statement of changes in equity on page 7.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the ANZ Holdings Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the income statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated into a hedge accounting relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedge accounting relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 20 for details of the recognition approach applied for each type of hedge accounting relationship. Sources of hedge accounting ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.
Hedge effectiveness	To qualify for hedge accounting under NZ IAS 39, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The ANZ Holdings Group monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT SECURITIES

	2024 NZ$m	2023 NZ$m
Investment securities measured at FVOCI		
Debt securities	13,290	10,957
Equity securities	5	1
Total	13,295	10,958

The maturity profile of investment securities is as follows:

As at 30 September 2024	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	No maturity NZ$m	Total NZ$m
Government securities	126	829	7,326	4,543	-	12,824
Corporate and financial institution securities	1	50	415	-	-	466
Equity securities	-	-	-	-	5	5
Total	127	879	7,741	4,543	5	13,295
As at 30 September 2023						
Government securities	492	512	6,423	3,115	-	10,542
Corporate and financial institution securities	29	-	386	-	-	415
Equity securities	-	-	-	-	1	1
Total	521	512	6,809	3,115	1	10,958

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the ANZ Holdings Group's customer lending activities are classified as loans and advances (rather than investment securities) to better reflect the substance of the arrangement.

Equity investments not held for trading purposes may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as investment securities are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with 'Investment securities - debt securities at FVOCI' are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for expected credit losses, and the allowance for expected credit loss is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

11. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the ANZ Holdings Group:

	Note	2024 NZ$m	2023 NZ$m
Overdrafts		1,091	973
Credit cards		1,243	1,262
Term loans - housing		110,807	107,040
Term loans - non-housing		38,755	40,345
Subtotal		151,896	149,620
Unearned income		(21)	(28)
Capitalised brokerage and other origination costs		516	459
Gross loans and advances		152,391	150,051
Allowance for expected credit losses	12	(725)	(730)
Net loans and advances		151,666	149,321
Residual contractual maturity:			
Within one year		25,259	27,922
More than one year		126,407	121,399
Net loans and advances		151,666	149,321

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$298 million as at 30 September 2024 (2023: NZ$306 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the ANZ Holdings Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses.

The ANZ Holdings Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the ANZ Holdings Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the ANZ Holdings Group's balance sheet, however if substantially all the risks and rewards are transferred, the ANZ Holdings Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, then the ANZ Holdings Group derecognises the asset. If control over the asset is not lost, then the ANZ Holdings Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2024			2023		
	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Net loans and advances at amortised cost	661	64	725	670	60	730
Off-balance sheet commitments	133	3	136	122	5	127
Total	794	67	861	792	65	857

The following tables present the movement in the allowance for expected credit losses (ECL) for the year.

Net loans and advances

Allowance for ECL is included in net loans and advances.

			Stage 3		
	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
As at 1 October 2022	199	311	59	77	646
Transfer between stages	19	(19)	-	-	-
New and increased provisions (net of releases)	(25)	106	20	94	195
Write-backs	-	-	-	(22)	(22)
Bad debts written-off (excluding recoveries)	-	-	-	(86)	(86)
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2023	193	398	79	60	730
Transfer between stages	36	(40)	(1)	5	-
New and increased provisions (net of releases)	(42)	12	26	99	95
Write-backs	-	-	-	(49)	(49)
Bad debts written-off (excluding recoveries)	-	-	-	(41)	(41)
Discount unwind	-	-	-	(10)	(10)
As at 30 September 2024	187	370	104	64	725

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2022	66	31	3	5	105
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of releases)	12	10	-	-	22
As at 30 September 2023	80	39	3	5	127
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of releases)	(10)	21	-	(2)	9
As at 30 September 2024	74	56	3	3	136

The collectively assessed allowance for ECL increased by NZ$2 million attributable to: increases of NZ$12 million for downside risks associated with the economic outlook, NZ$70 million due to portfolio credit risk profile changes reflecting the revised economic scenario weightings and enhanced model methodology, NZ$23 million in large exposure, model risk and other adjustment allowances, offset by a release of NZ$103 million management temporary adjustments.

CREDIT IMPAIRMENT CHARGE – INCOME STATEMENT

	2024 NZ$m	2023 NZ$m
New and increased provisions (net of releases)		
- Collectively assessed	2	123
- Individually assessed	102	94
Write-backs	(49)	(22)
Recoveries of amounts previously written-off	(11)	(12)
Total credit impairment charge	44	183

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance for ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance for ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) – the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) – the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) – the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the ANZ Holdings Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the ANZ Holdings Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the ANZ Holdings Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the ANZ Holdings Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the ANZ Holdings Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the ANZ Holdings Group considers both qualitative and quantitative information:

i. Internal credit rating grade
For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria
The ANZ Holdings Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, the ANZ Holdings Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario
The base case scenario is our view of future macroeconomic conditions. It reflects the same basis of assumptions used by management for strategic planning and budgeting, and also informs the Banking Group's Internal Capital Adequacy Assessment Process which is the process the ANZ Holdings Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios
The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario
The severe scenario assumes a deep economic downturn, both domestically and globally. We forecast macroeconomic variables for such a scenario, reflecting a plausible scenario unfolding over a 5-year period given current economic conditions. These assumptions have been revised in 2024, reflecting an escalation of geopolitical tensions, persistent inflation, and worsening national budget positions.

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, Gross Domestic Product (GDP) growth rates, residential property price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the ANZ Holdings Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

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

The judgements and associated assumptions have been made within the context of the uncertainty as to how various factors might impact the global economy and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The ANZ Holdings Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the year ended 30 September 2024
Determining when a SICR has occurred or reversed	In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in it 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 PD in the next 12 months, to an allowance for lifetime ECL. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The ANZ Holdings Group monitors the effectiveness of SICR criteria on an ongoing basis.	The determination of SICR was consistent with prior periods.
Measuring both 12-month and lifetime ECL	The PD, LGD and EAD factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity. In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.	The PD, LGD and EAD models are subject to the ANZ Holdings Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality. There were no material changes to the policy.
Base case economic forecast	The ANZ Holdings Group derives a forward-looking 'base case' economic scenario which reflects our view of future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs. As at 30 September 2024, the base case assumptions have been updated to reflect a moderation in inflation and an easing in labour market conditions. The economy is forecast to continue to grow below trend. Despite increased household disposable incomes, limited flow-through to household consumption is forecast. The expected outcomes of key economic drivers for the base case scenario at 30 September 2024 are described below under the heading 'Base case economic forecast assumptions'.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the year ended 30 September 2024
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	Probability weightings shifted from downside to upside scenarios during the current period reflecting increasing confidence in economic recovery with high-frequency data providing early indication that the economy is responding to monetary easing. The probability weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.	Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates. Management overlays have been made for risks particular to mortgages and commercial lending. Management temporary adjustments total NZ$73 million (September 2023: NZ$176 million). Management has considered and concluded no temporary adjustment is required at 30 September 2024 to the ECL allowance in relation to climate- or weather-related events during the period.

1 The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of our view of future macroeconomic conditions, used at 30 September 2024 are set out below. For years following the near term forecasts below, the ECL models apply simplified assumptions for the economic conditions to calculate lifetime loss.

	Forecast calendar year		
New Zealand	2024	2025	2026
GDP (annual % change)	-0.1%	0.8%	2.2%
Unemployment rate (annual average)	4.7%	5.4%	5.4%
Residential property prices (annual % change)	-1.0%	4.5%	5.0%
Consumer price index (CPI) (annual % change)	3.1%	2.2%	1.8%

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

The upside scenario weighting has increased to 3.75% (2023: 0.0%), and the downside scenario weighting has decreased to 33.75% (2023: 37.5%).

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The ANZ Holdings Group considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the ANZ Holdings Group's credit portfolios. The weightings applied are set out below:

	2024	2023
Base	50.0%	50.0%
Upside	3.75%	0.0%
Downside	33.75%	37.5%
Severe downside	12.5%	12.5%

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 the ANZ Holdings Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it at 30 September 2024:

	ECL NZ$m	Impact on ECL NZ$m
If 1% of Stage 1 facilities were included in Stage 2	803	9
If 1% of Stage 2 facilities were included in Stage 1	793	(1)
100% upside scenario	284	(510)
100% base scenario	420	(374)
100% downside scenario	757	(37)
100% severe downside scenario	1,961	1,167

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, the ANZ Holdings Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the uncertainties described above and in Note 1 About our financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the note disclosures that follow.

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or FVTPL when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

13. DEPOSITS AND OTHER BORROWINGS

	Note	2024 NZ$m	2023 NZ$m
Term deposits		59,308	54,198
On demand and short term deposits		60,983	60,673
Deposits not bearing interest		15,872	17,658
Total customer deposits		136,163	132,529
Certificates of deposit		1,174	2,328
Commercial paper		1,419	2,253
Securities sold under repurchase agreements		3,750	4,429
Borrowings from Ultimate Parent Bank and Immediate Parent Company[1]	26	1,777	1,777
Deposits and other borrowings		**144,283**	143,316
Residual contractual maturity:			
Within one year		136,602	135,858
More than one year		7,681	7,458
Deposits and other borrowings		**144,283**	143,316
Carried on balance sheet at:			
Amortised cost		141,842	140,434
Fair value through profit or loss (designated on initial recognition)		2,441	2,882
Deposits and other borrowings		**144,283**	143,316

1 Includes borrowings from the Immediate Parent Company of NZ$1,766 million which is subordinated to the A$800 million perpetual subordinated debt issued by the Company.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at FVTPL.

Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the ANZ Holdings Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the ANZ Holdings Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in profit or loss.

14. DEBT ISSUANCES

The ANZ Holdings Group uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that, in a winding up of the issuer, holders of unsubordinated debt rank in priority to holders of subordinated debt. Subordinated debt will be repaid only after the repayment of claims of depositors and other creditors (including holders of unsubordinated debt) of that issuer.

	2024 NZ$m	2023 NZ$m
Senior debt	12,349	13,466
Covered bonds	2,156	3,373
Total unsubordinated debt	**14,505**	**16,839**
Subordinated debt	3,982	2,593
Total debt issued	**18,487**	**19,432**
Residual contractual maturity:		
Within one year	3,213	3,773
More than one year	15,274	15,659
Total debt issued	**18,487**	**19,432**

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the ANZ Holdings Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		2024 NZ$m	2023 NZ$m
AUD	Australian dollars	907	327
EUR	Euro	5,892	6,053
NZD	New Zealand dollars	2,035	2,584
CHF	Swiss Francs	743	1,117
USD	United States dollars	8,910	9,351
Total debt issued		**18,487**	**19,432**

The Bank has guaranteed the payment of interest and principal of covered bonds issued by its subsidiary ANZ New Zealand (Int'l) Limited. This obligation is guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust (the Covered Bond Trust). The Covered Bond Trust is a member of the ANZ Holdings Group. The Covered Bond Guarantor is not a member of the ANZ Holdings Group and has no credit ratings applicable to its long term senior unsecured obligations. The covered bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Refer to page 50 for the amount of assets of the ANZ Covered Bond Trust pledged as security for covered bonds.

SUBORDINATED DEBT

The table below shows the subordinated debt on issue at 30 September 2024 and 30 September 2023:

Currency	Face value	Issue date	Maturity	Next optional call date	Interest rate	2024 NZ$m	2023 NZ$m
Term subordinated debt issued by the Bank							
NZD	938m	Jun 2016	Perpetual	Jun 2026	Floating	938	938
NZD	600m	Sep 2021	Sep 2031	Sep 2026	Fixed	597	596
USD	500m	Aug 2022	Aug 2032	Aug 2027	Fixed	771	774
USD	500m	Jul 2024	Jul 2034	Jul 2029	Fixed	812	-
Perpetual subordinated debt issued by the Company[1]							
AUD	265m	Sep 2013	Mar 2026	n/a	Floating	-	285
AUD	800m	Sep 2024	Perpetual	Oct 2030	Floating	864	-
Subordinated debt[2]						**3,982**	**2,593**

1 A$265 million subordinated debt was redeemed on 25 June 2024.
2 Carrying amounts are net of issuance costs and, where applicable, include fair value hedge accounting adjustments.

RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at FVTPL. Interest expense on debt issuances is recognised using the effective interest rate method. Where the ANZ Holdings Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedged risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at FVTPL. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the ANZ Holdings Group's business of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the ANZ Holdings Group's material risks.

This note details the ANZ Holdings Group's financial risk management policies, processes and quantitative disclosures in relation to the material financial risks:

Material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change, changes to laws, regulations, or other policies adopted by governments or regulatory authorities. Climate change impacts include both physical risks (climate- or weather-related events) and transition risks resulting from the adjustment to a low emissions economy. Transition risks include resultant changes to laws, regulations and policies noted above.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the ANZ Holdings Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the ANZ Holdings Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the ANZ Holdings Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity portfolio management • Funding position • Residual contractual maturity analysis of the ANZ Holdings Group's liabilities

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

The Company is a non-operating holding company and its assets primarily comprise its investments in the Bank.

The Bank's Board is responsible for establishing and overseeing the Banking Group's Risk Management Framework (RMF). The Bank's Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with the Banking Group's risk management policies. The BRC reports regularly to the Bank's Board on its activities.

The Bank's Board approves the strategic objectives of the Banking Group including:

- the Risk Appetite Statement (RAS), which sets out the Bank Board's expectations regarding the degree of risk that the Banking Group is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes the Banking Group's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Banking Group identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Banking Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At the Banking Group, risk is everyone's responsibility.

The Banking Group has an independent risk management function, headed by the Bank's Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect the Banking Group's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

15. FINANCIAL RISK MANAGEMENT (continued)

Internal Audit Function

Internal Audit is a function independent of management whose role is to provide the Bank's Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Bank's Chief Executive Officer and the external auditor. The Internal Audit Plan is developed using a risk based approach and is reviewed quarterly. The Bank's Audit Committee approves the plan.

All audit activities are conducted in accordance with international internal auditing standards, and the results of the activities are reported to the Audit Committee and management. These results influence the performance assessment of business heads. Furthermore, Internal Audit monitors the remediation of audit issues and reports the current status of any outstanding audits.

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the ANZ Holdings Group's major sources of income. As this activity is also a principal risk, the ANZ Holdings Group dedicates considerable resources to its management. The ANZ Holdings Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities.

Our credit risk management framework ensures we apply a consistent approach across the ANZ Holdings Group when we measure, monitor and manage the credit risk appetite set by the Bank's Board. The Bank's Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- approves the credit risk appetite and credit strategies; and
- approves policies and control frameworks for the management of the Bank's credit risk.

The BRC delegates responsibility for day-to-day management of credit risk and compliance with credit risk policies to the Bank's Credit Risk Management Committee (CRMC).

We quantify credit risk through an internal credit rating system (Master Scale) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the ANZ Holdings Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the ANZ Holdings Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover such factors as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogeneous pools, and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the ANZ Holdings Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, internal capital allocation, and credit provisioning.

All customers with whom the ANZ Holdings Group has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

We use the ANZ Holdings Group's internal CCR to manage the credit quality of financial assets. To enable wider comparisons, the ANZ Holdings Group's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	The ANZ Holdings Group customer requirements	Moody's Ratings	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

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the ANZ Holdings Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
On-balance sheet positions						
Net loans and advances	**151,666**	149,321	**-**	-	**151,666**	149,321
Other financial assets:						
Cash and cash equivalents	**11,634**	13,094	**130**	155	**11,504**	12,939
Settlement balances receivable	**574**	401	**-**	-	**574**	401
Collateral paid	**1,041**	801	**-**	-	**1,041**	801
Trading securities	**5,576**	5,921	**-**	-	**5,576**	5,921
Derivative financial instruments	**10,177**	8,750	**-**	-	**10,177**	8,750
Investment securities	**13,295**	10,958	**-**	-	**13,295**	10,958
Other financial assets[2]	**1,113**	995	**-**	-	**1,113**	995
Total other financial assets	**43,410**	40,920	**130**	155	**43,280**	40,765
Subtotal	**195,076**	190,241	**130**	155	**194,946**	190,086
Off-balance sheet positions						
Undrawn and contingent facilities[3]	**28,511**	28,547	**-**	-	**28,511**	28,547
Total	**223,587**	218,788	**130**	155	**223,457**	218,633

1 Coins, notes and cash at bank within cash and cash equivalents were excluded as they do not have credit risk exposure.
2 Other financial assets mainly comprise accrued interest and acceptances.
3 Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT QUALITY

An analysis of the ANZ Holdings Group's credit risk exposure is presented in the following tables based on the ANZ Holdings Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements.

Net loans and advances			Stage 3		
As at 30 September 2024	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	73,623	1,549	-	-	75,172
Satisfactory	59,827	6,901	-	-	66,728
Weak	4,903	3,470	-	-	8,373
Defaulted	-	-	1,253	370	1,623
Subtotal	138,353	11,920	1,253	370	151,896
Allowance for ECL	(187)	(370)	(104)	(64)	(725)
Net loans and advances at amortised cost	138,166	11,550	1,149	306	151,171
Coverage ratio	0.14%	3.10%	8.30%	17.30%	0.48%
Unearned income					(21)
Capitalised brokerage and other origination costs					516
Net carrying amount					151,666

As at 30 September 2023					
Strong	116,859	3,646	-	-	120,505
Satisfactory	19,979	5,025	-	-	25,004
Weak	504	2,430	-	-	2,934
Defaulted	-	-	890	287	1,177
Subtotal	137,342	11,101	890	287	149,620
Allowance for ECL	(193)	(398)	(79)	(60)	(730)
Net loans and advances at amortised cost	137,149	10,703	811	227	148,890
Coverage ratio	0.14%	3.59%	8.88%	20.91%	0.49%
Unearned income					(28)
Capitalised brokerage and other origination costs					459
Net carrying amount					149,321

Other financial assets	2024 NZ$m	2023 NZ$m
Strong	43,241	40,595
Satisfactory	32	52
Weak	7	118
Defaulted	-	-
Total carrying amount	43,280	40,765

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

Off-balance sheet commitments - undrawn and contingent facilities

			Stage 3		
As at 30 September 2024	Stage 1 NZ$m	Stage 2 NZ$m	Collectively assessed NZ$m	Individually assessed NZ$m	Total NZ$m
Strong	23,508	196	-	-	23,704
Satisfactory	3,530	1,087	-	-	4,617
Weak	30	260	-	-	290
Defaulted	-	-	26	10	36
Gross undrawn and contingent facilities	27,068	1,543	26	10	28,647
Allowance for ECL included in other provisions (refer to Note 20)	(74)	(56)	(3)	(3)	(136)
Net undrawn and contingent facilities	26,994	1,487	23	7	28,511
Coverage ratio	0.27%	3.63%	11.54%	30.00%	0.47%

As at 30 September 2023					
Strong	24,158	202	-	-	24,360
Satisfactory	3,343	701	-	-	4,044
Weak	8	234	-	-	242
Defaulted	-	-	15	13	28
Gross undrawn and contingent facilities	27,509	1,137	15	13	28,674
Allowance for ECL included in other provisions (refer to Note 20)	(80)	(39)	(3)	(5)	(127)
Net undrawn and contingent facilities	27,429	1,098	12	8	28,547
Coverage ratio	0.29%	3.43%	20.00%	38.46%	0.44%

15. FINANCIAL RISK MANAGEMENT (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The ANZ Holdings Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The ANZ Holdings Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
New Zealand residents								
Agriculture	15,489	15,400	82	73	745	926	16,316	16,399
Forestry and fishing, agriculture services	557	549	4	6	94	100	655	655
Mining	158	181	2	12	226	250	386	443
Manufacturing	2,444	2,486	94	185	1,952	1,943	4,490	4,614
Electricity, gas, water and waste services	589	659	290	274	1,383	1,335	2,262	2,268
Construction	961	904	6	4	969	951	1,936	1,859
Wholesale trade	1,439	1,572	39	50	1,578	1,580	3,056	3,202
Retail trade and accommodation	2,902	2,944	28	18	621	606	3,551	3,568
Transport, postal and warehousing	1,042	1,155	89	77	706	591	1,837	1,823
Finance and insurance services	864	972	13,000	15,470	1,465	1,731	15,329	18,173
Rental, hiring & real estate services	37,098	37,679	1,960	2,024	1,996	1,948	41,054	41,651
Professional, scientific, technical, administrative and support services	1,054	980	8	9	440	422	1,502	1,411
Public administration and safety	209	201	10,938	8,910	845	776	11,992	9,887
Health care and social assistance	915	1,117	9	26	294	270	1,218	1,413
Households	82,871	79,342	427	370	13,760	13,814	97,058	93,526
Other[1]	1,153	1,335	109	112	1,384	1,362	2,646	2,809
Subtotal	149,745	147,476	27,085	27,620	28,458	28,605	205,288	203,701
Overseas								
Finance and insurance services	66	76	16,170	13,092	189	69	16,425	13,237
Households	1,508	1,485	8	7	-	-	1,516	1,492
All other non-residents	577	583	17	46	-	-	594	629
Subtotal	2,151	2,144	16,195	13,145	189	69	18,535	15,358
Gross subtotal	151,896	149,620	43,280	40,765	28,647	28,674	223,823	219,059
Allowance for ECL	(725)	(730)	-	-	(136)	(127)	(861)	(857)
Subtotal	151,171	148,890	43,280	40,765	28,511	28,547	222,962	218,202
Unearned income	(21)	(28)	-	-	-	-	(21)	(28)
Capitalised brokerage and other origination	516	459	-	-	-	-	516	459
Maximum exposure to credit risk	151,666	149,321	43,280	40,765	28,511	28,547	223,457	218,633

1 Other includes exposures to information media and telecommunications; education and training; arts and recreation services; and other services.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans – housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans – business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, investment securities, derivatives and other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives we will have large individual exposures to single name counterparties such as central clearing houses, financial institutions, and other institutional clients. Open derivative positions with these counterparties are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily through the respective Credit Support Annex (CSA) agreements. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by the ANZ Holdings Group when our position is out of the money). Credit risk will remain where the full amount of the derivative exposure is not covered by any collateral.
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Maximum exposure to credit risk		Total value of collateral[1]		Unsecured portion of credit exposure	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Net loans and advances	**151,666**	149,321	**144,547**	141,874	**7,119**	7,447
Other financial assets	**43,280**	40,765	**3,605**	3,232	**39,675**	37,533
Off-balance sheet positions	**28,511**	28,547	**15,700**	15,542	**12,811**	13,005
Total	**223,457**	218,633	**163,852**	160,648	**59,605**	57,985

1 In estimating the value of collateral for housing loans, customers are assumed to be meeting their insurance obligations for the properties over which the mortgages are secured.

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the ANZ Holdings Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads, commodities, equities and the volatility within these asset classes.

The BRC delegates responsibility for day-to-day management of both market risk and compliance with market risk policies to the Bank's Asset & Liability Management Committee (ALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Bank level. The Market & Treasury Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded market risk	Non-traded market risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: • Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. • Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. • Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. • Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. • Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Bank's possible daily loss based on historical market movements.

The ANZ Holdings Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using a one-day holding period. For stressed VaR we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

The ANZ Holdings Group measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

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15. FINANCIAL RISK MANAGEMENT (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2024				2023			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Traded value at risk 99% confidence								
Foreign exchange	0.8	1.4	0.3	0.8	0.8	1.6	0.5	0.9
Interest rate	1.7	3.8	0.8	1.5	1.7	6.2	1.1	2.0
Credit	0.9	1.1	0.1	0.7	1.0	1.1	0.4	0.7
Diversification benefit[1]	(1.8)	n/a	n/a	(1.0)	(1.8)	n/a	n/a	(1.3)
Total VaR	1.6	4.8	1.2	2.0	1.7	6.7	1.2	2.3

1 The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the ANZ Holdings Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the ANZ Holdings Group's banking book, while ensuring the ANZ Holdings Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the ANZ Holdings Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the Bank.

	2024				2023			
	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m	As at NZ$m	High for year NZ$m	Low for year NZ$m	Average for year NZ$m
Non-traded value at risk 99% confidence								
Total VaR	29.4	37.5	26.3	28.8	31.2	35.3	24.3	30.7

We undertake scenario analysis to stress test the impact of extreme events on the ANZ Holdings Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	2024	2023
Impact of 1% rate shock on the next 12 months' net interest income		
As at period end	-0.4%	0.1%
Maximum exposure	1.1%	1.4%
Minimum exposure	-0.6%	-0.7%
Average exposure (in absolute terms)	0.4%	0.2%

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Where it is considered appropriate, the ANZ Holdings Group takes out economic hedges against larger foreign exchange denominated expenditure streams (primarily Australian Dollar, US Dollar and US Dollar correlated). The primary objective of hedging these streams is to protect against a significant decrease in shareholder value due to negative impacts of foreign exchange rate movements.

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the ANZ Holdings Group:

- is unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding is overseen by ALCO following delegation from the BRC. Within an overall framework established by the BRC, Treasury and Market & Treasury Risk have responsibility for the control of funding and liquidity risk at the Banking Group level. Liquidity and funding risks are governed by a set of principles approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards that include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring the ability to meet 'survival horizons' under New Zealand specific and general market liquidity stress scenarios to meet cash flow obligations over the short to medium term;
- maintaining strength in the balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing a detailed contingency plan to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY AND FUNDING RISK

Supervision and regulation

RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario modelling

A key component of the Banking Group's liquidity management framework is scenario modelling of a range of regulatory and internal liquidity metrics.

Potential severe liquidity crisis scenarios that model the behaviour of cash flows where there is a problem (real or perceived) may include, but are not limited to, operational issues, doubts about solvency, or adverse credit rating changes. Under these scenarios the Banking Group may have significant difficulty rolling over or replacing funding. The Banking Group's liquidity management framework requires sufficient high quality liquid assets to be held to meet its liquidity needs for the following one month under the modelled scenarios.

As at 30 September 2024, the ANZ Holdings Group was operating above the required minimums for the modelled scenarios.

Structural balance sheet metrics

The Banking Group's liquidity management framework also encompasses structural balance sheet metrics such as the RBNZ's core funding ratio. The core funding ratio is designed to limit the amount of wholesale funding required to be rolled over within a one year timeframe and so interacts with the modelled liquidity scenarios to maintain the Banking Group's liquidity position.

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency with targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term and long-term wholesale funding is managed and executed by Treasury.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group is not required to issue large volumes of new wholesale funding within a short time period to replace maturing wholesale funding. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by regular updates and is linked to the Banking Group's three-year strategic planning cycle.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY PORTFOLIO MANAGEMENT

The ANZ Holdings Group holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of the ANZ Holdings Group's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

	2024 NZ$m	2023 NZ$m
Central and local government bonds	9,684	6,739
Government treasury bills	207	1,190
Certificates of deposit	359	318
Other bonds	8,205	8,193
Securities eligible to be accepted as collateral in repurchase transactions	18,455	16,440
Cash and balances with central banks	9,723	12,362
Total liquidity portfolio	**28,178**	28,802

Assets held in the ANZ Holdings Group's liquidity portfolio are all denominated in New Zealand dollars and include balances held with RBNZ and securities issued by the New Zealand Government, supranational agencies, highly rated banks, state owned enterprises, local authorities (including through a funding authority) and highly rated corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ$10,480 million at 30 September 2024 (2023: NZ$10,776 million).

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- Between December 2020 and December 2022, RBNZ made funds available under the FLP to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR).

As at 30 September 2024, the Bank had drawn NZ$228 million (2023: NZ$300 million) under the TLF and NZ$2,500 million (2023: NZ$3,500 million) under the FLP. These amounts are included in securities sold under repurchase agreements in Note 13 Deposits and other borrowings.

Liquidity crisis contingency planning

The ANZ Holdings Group maintains a liquidity crisis contingency plan to define an approach for analysing and responding to a liquidity-threatening event. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls; and
- assigned responsibilities for internal and external communications.

FUNDING POSITION

The ANZ Holdings Group actively uses balance sheet disciplines to prudently manage the funding mix. The Banking Group employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

	2024 NZ$m	2023 NZ$m
Funding composition		
Customer deposits	136,163	132,529
Wholesale funding		
Debt issuances	18,487	19,432
Certificates of deposit	1,174	2,328
Commercial paper	1,419	2,253
Other borrowings	5,527	6,206
Total wholesale funding	26,607	30,219
Total deposits and wholesale funding	**162,770**	162,748

15. FINANCIAL RISK MANAGEMENT (continued)

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

	2024 NZ$m	2023 NZ$m
Customer deposits by industry - New Zealand residents		
Agriculture, forestry and fishing	3,949	4,535
Mining	313	204
Manufacturing	3,091	2,809
Construction	2,911	2,926
Wholesale trade	2,326	2,361
Retail trade and accommodation	2,195	2,124
Transport, postal and warehousing	1,530	1,572
Financial and insurance services	13,773	13,899
Rental, hiring and real estate services	3,441	3,498
Professional, scientific, technical, administrative and support services	6,750	6,377
Public administration and safety	1,855	1,515
Health care and social assistance	1,587	1,375
Arts, recreation and other services	2,466	2,502
Households	77,164	74,511
All other New Zealand residents[1]	2,577	2,719
Subtotal	125,928	122,927
Customer deposits by industry - overseas		
Households	9,488	8,807
All other non-NZ residents	747	795
Subtotal	10,235	9,602
Total customer deposits	136,163	132,529
Wholesale funding (financial and insurance services industry)		
New Zealand	6,419	9,121
Overseas	20,188	21,098
Total wholesale funding	26,607	30,219
Total deposits and wholesale funding	162,770	162,748
Concentrations of funding by geography		
New Zealand	132,347	132,048
Australia	4,205	3,271
United States	11,156	12,234
Europe	7,747	8,379
Other countries	7,315	6,816
Total deposits and wholesale funding	162,770	162,748

1 Other includes electricity, gas, water and waste services; information media and telecommunications; and education and training.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE ANZ HOLDINGS GROUP'S FINANCIAL LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September 2024 and 30 September 2023 within relevant maturity groupings. All outstanding debt issuances are profiled on the earliest date on which the ANZ Holdings Group may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reported on the balance sheet.

It should be noted that this is not how the ANZ Holdings Group manages its liquidity risk. The management of this risk is detailed on page 43.

2024	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	3,772	1,620	-	-	-	5,392
Collateral received	-	525	-	-	-	525
Deposits and other borrowings	76,860	25,452	36,771	6,935	9,739	155,757
Derivative financial liabilities (trading)	-	11,109	-	-	-	11,109
Debt issuances[1]	-	400	3,284	14,692	1,191	19,567
Lease liabilities	-	14	41	156	46	257
Other financial liabilities	-	454	32	152	296	934
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,731	7,194	4,307	1,203	14,435
- gross outflows	-	(1,798)	(7,365)	(4,345)	(1,096)	(14,604)

2023	On demand NZ$m	Less than 3 months NZ$m	3 to 12 months NZ$m	1 to 5 years NZ$m	After 5 years NZ$m	Total NZ$m
Settlement balances payable	2,425	522	-	-	-	2,947
Collateral received	-	1,500	-	-	-	1,500
Deposits and other borrowings	78,336	25,822	33,653	8,129	-	145,940
Derivative financial liabilities (trading)	-	8,292	-	-	-	8,292
Debt issuances[1]	-	408	3,552	16,075	2,261	22,296
Lease liabilities	-	14	40	149	17	220
Other financial liabilities	-	260	7	236	253	756
Derivative financial instruments (balance sheet management)						
- gross inflows	-	2,434	4,443	8,366	935	16,178
- gross outflows	-	(2,341)	(4,375)	(8,748)	(942)	(16,406)

1 Any callable wholesale debt instruments have been included at their next call date. Refer to Note 14 Debt issuances for subordinated debt call dates.

At 30 September 2024, NZ$28,647 million (2023: NZ$28,674 million) of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which the ANZ Holdings Group may be required to pay.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The ANZ Holdings Group recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial assets and liabilities according to their measurement bases together with their carrying amounts as recognised on the balance sheet.

		2024			2023		
	Note	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m	At amortised cost NZ$m	At fair value NZ$m	Total NZ$m
Financial assets							
Cash and cash equivalents	7	9,872	1,762	11,634	12,426	668	13,094
Settlement balances receivable		574	-	574	401	-	401
Collateral paid		1,041	-	1,041	801	-	801
Trading securities	8	-	5,576	5,576	-	5,921	5,921
Derivative financial instruments	9	-	10,177	10,177	-	8,750	8,750
Investment securities	10	-	13,295	13,295	-	10,958	10,958
Net loans and advances	11	151,666	-	151,666	149,321	-	149,321
Other financial assets		1,113	-	1,113	995	-	995
Total		164,266	30,810	195,076	163,944	26,297	190,241
Financial liabilities							
Settlement balances payable		5,367	-	5,367	2,920	-	2,920
Collateral received		525	-	525	1,500	-	1,500
Deposits and other borrowings	13	141,842	2,441	144,283	140,434	2,882	143,316
Derivative financial instruments	9	-	11,179	11,179	-	8,326	8,326
Debt issuances	14	18,487	-	18,487	19,432	-	19,432
Other financial liabilities		1,744	372	2,116	1,277	371	1,648
Total		167,965	13,992	181,957	165,563	11,579	177,142

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

If the ANZ Holdings Group holds offsetting risk positions, then the portfolio exception in NZ IFRS 13 *Fair Value Measurement* (NZ IFRS 13) is used to measure the fair value of such groups of financial assets and financial liabilities. The ANZ Holdings Group measures the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate commercial paper and certain securities sold under repurchase agreements (included in deposits and other borrowings) at FVTPL where they are managed on a fair value basis to align the measurement with how the financial instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or liability	Fair value approach
Financial instruments classified as: - Derivative financial assets and financial liabilities (including trading and non-trading) - Repurchase agreements <90 days - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curves appropriate for the remaining term to maturity.
Financial instruments classified as: - Trading securities - Investment securities	Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The ANZ Holdings Group categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with NZ IFRS 13 based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Assets								
Cash and cash equivalents	-	-	1,762	668	-	-	1,762	668
Trading securities[1]	4,653	3,989	923	1,932	-	-	5,576	5,921
Derivative financial instruments	3	38	10,173	8,712	1	-	10,177	8,750
Investment securities[1]	12,184	7,796	1,106	3,161	5	1	13,295	10,958
Total	16,840	11,823	13,964	14,473	6	1	30,810	26,297
Liabilities								
Deposits and other borrowings	-	-	2,441	2,882	-	-	2,441	2,882
Derivative financial instruments	70	2	11,108	8,314	1	10	11,179	8,326
Other financial liabilities	358	367	14	4	-	-	372	371
Total	428	369	13,563	11,200	1	10	13,992	11,579

1 During 2024, no assets were transferred from Level 1 to Level 2 (2023: NZ$1,685 million transferred from level 1 to Level 2) and NZ$2,390 million of assets were transferred from Level 2 to Level 1 (2023: NZ$338 million transferred from Level 2 to Level 1) for the ANZ Holdings Group due to a change of the observability of valuation inputs. There were no other material transfers between Level 1 and Level 2 during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed below are carried at amortised cost on the ANZ Holdings Group's balance sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the ANZ Holdings Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

Fair values of financial assets and liabilities carried at amortised cost not included in the table below approximate their carrying values. These financial assets and liabilities are either short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Financial assets										
Net loans and advances	151,666	149,321	-	-	69	95	151,973	148,167	152,042	148,262
Total	151,666	149,321	-	-	69	95	151,973	148,167	152,042	148,262
Financial liabilities										
Deposits and other borrowings	141,842	140,434	-	-	142,049	140,285	-	-	142,049	140,285
Debt issuances	18,487	19,432	2,705	2,367	15,993	17,105	-	-	18,698	19,472
Total	160,329	159,866	2,705	2,367	158,042	157,390	-	-	160,747	159,757

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following table sets out the ANZ Holdings Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

Financial asset and liability	Fair value approach
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the ANZ Holdings Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the ANZ Holdings Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to the ANZ Holdings Group for that instrument.

KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on the ANZ Holdings Group's balance sheet at fair value. The ANZ Holdings Group therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance sheet date.

In determining the fair valuation of financial instruments, the ANZ Holdings Group has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models the ANZ Holdings Group uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, the ANZ Holdings Group also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer Note 9 Derivative financial instruments to reflect the ANZ Holdings Group's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

17. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard CSA that forms part of the ISDA Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

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

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of the ANZ Holdings Group's covered bond programmes; and
- collateral provided to RBNZ under the TLF and FLP.

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

	2024 NZ$m	2023 NZ$m
Securities sold under arrangements to repurchase[1]	768	626
Residential mortgages provided as security for repurchase agreements with RBNZ	3,559	4,844
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	10,563	10,926

Comparative amounts have been adjusted to be consistent with the current period's collateral securities.

1 The amounts disclosed as securities sold under arrangements to repurchase include both:
- assets pledged as security which continue to be recognised on the ANZ Holdings Group's balance sheet; and
- assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The ANZ Holdings Group has received collateral associated with various financial transactions. Under certain arrangements the ANZ Holdings Group has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	2024 NZ$m	2023 NZ$m
Fair value of assets which can be sold or repledged	1,707	667
Fair value of assets sold or repledged	697	432

18. OFFSETTING

We offset financial assets and financial liabilities in the balance sheet (in accordance with NZ IAS 32 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over collateralisation.

			Amount subject to master netting agreement or similar			
2024	Total amounts recognised in the balance sheet NZ$m	Amounts not subject to master netting agreement or similar NZ$m	Total NZ$m	Financial instruments NZ$m	Financial collateral (received)/ pledged NZ$m	Net amount NZ$m
Derivative financial assets	10,177	(1,600)	8,577	(8,260)	(72)	245
Reverse repurchase agreements[1]	1,762	-	1,762	-	(1,762)	-
Total financial assets	11,939	(1,600)	10,339	(8,260)	(1,834)	245
Derivative financial liabilities	(11,179)	1,858	(9,321)	8,260	331	(730)
Repurchase agreements[2]	(3,750)	-	(3,750)	-	3,750	-
Total financial liabilities	(14,929)	1,858	(13,071)	8,260	4,081	(730)
2023						
Derivative financial assets	8,750	(1,529)	7,221	(5,703)	(538)	980
Reverse repurchase agreements[1]	668	-	668	-	(668)	-
Total financial assets	9,418	(1,529)	7,889	(5,703)	(1,206)	980
Derivative financial liabilities	(8,326)	1,593	(6,733)	5,703	223	(807)
Repurchase agreements[2]	(4,429)	-	(4,429)	-	4,429	-
Total financial liabilities	(12,755)	1,593	(11,162)	5,703	4,652	(807)

1 Reverse repurchase agreements are presented in the balance sheet within cash and cash equivalents.
2 Repurchase agreements are presented in the balance sheet within deposits and other borrowings.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	2024 NZ$m	2023 NZ$m
Goodwill	3,006	3,006
Software	19	37
Management rights	69	76
Goodwill and other intangible assets	**3,094**	3,119

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

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

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

	Goodwill		Management rights	
Cash generating unit	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Personal	980	980	-	-
Funds Management	62	62	69	76
Personal segment	1,042	1,042	69	76
Business & Agri	695	695	-	-
Institutional	1,269	1,269	-	-
Total	**3,006**	3,006	**69**	76

Goodwill was assessed for indicators of impairment as at 30 September 2024, taking into account the results of the February 2024 impairment test and associated sensitivity and scenario analysis performed and the forecast impact of recent economic events. There were no indicators of impairment therefore, in accordance with NZ IAS 36 *Impairment of Assets*, no further impairment test was required.

The following information is for the annual goodwill impairment test, and reflects the CGUs and goodwill allocations as at 29 February 2024.

Annual goodwill impairment test

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

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

VALUE-IN-USE

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

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

Input / assumption	Values applied in 29 February 2024 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation of RBNZ's increased capital requirements over the transition period ending on 1 July 2028.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2024 and 2025, before returning to long run experience levels for 2026 to 2028. Long run experience levels are based on the ANZ Holdings Group's bad debts written off, net of recoveries, since 2004 of 0.13% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2025 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2026 forecast inflation from RBNZ's February 2024 Monetary Policy Statement.
Discount rate	Post tax: 11.7% (February 2023: 11.9%). 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 average traded 10-year New Zealand government bond yield as at 29 February 2024 of 4.8%. The market risk premium was estimated using observed historic rates of return for the New Zealand stock exchange and 10-year government bonds. Beta was consistent with observable measures applied in the regional banking sector.

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

	Revenue growth		Credit impairment		Pre-tax discount rate	
Cash generating unit	**29 Feb 24**	**28 Feb 23**	**29 Feb 24**	**28 Feb 23**	**29 Feb 24**	**28 Feb 23**
Personal	**4.6%**	2.2%	**0.04%**	0.07%	**25.3%**	24.1%
Funds Management	**4.4%**	5.6%	**n/a**	n/a	**23.5%**	21.5%
Business & Agri	**2.8%**	2.8%	**0.11%**	0.15%	**25.4%**	23.5%
Institutional	**1.8%**	1.8%	**0.12%**	0.17%	**25.5%**	23.3%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the carrying amount of any CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other intangibles
Definition	Excess amount the ANZ Holdings Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the ANZ Holdings Group is capitalised. Internal and external costs incurred in building software and computer systems costing greater than NZ$20 million are capitalised as assets. Those less than NZ$20 million are expensed in the year in which the costs are incurred. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Management fee rights arising from acquisition of funds management business.
Carrying value	Cost less any accumulated impairment losses. Allocated to the CGU to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less accumulated impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised over 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment.
Amortisation method	Not applicable.	Straight-line method.	Not applicable.

KEY JUDGEMENTS AND ESTIMATES

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

Goodwill

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

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

The assessment of the recoverable amount of each CGU has been made within the context of the inherent uncertainty described in the key judgements and estimates section on page 9.

20. OTHER PROVISIONS

	Note	2024 NZ$m	2023 NZ$m
ECL allowance on undrawn and contingent facilities	12	136	127
Customer remediation		24	36
Restructuring costs		8	10
Leasehold make good		22	21
Other		22	15
Total other provisions		**212**	209

Movements in other provisions

	Customer remediation NZ$m	Restructuring costs NZ$m	Leasehold make good NZ$m	Other NZ$m
Balance at 1 October 2023	36	10	21	15
New and increased provisions made during the year	4	10	4	7
Provisions used during the year	(16)	(11)	-	-
Unused amounts reversed during the year	-	(1)	(3)	-
Balance at 30 September 2024	**24**	**8**	**22**	**22**

Customer remediation

Customer remediation includes provisions for expected refunds to customers and other counterparties, remediation project costs and related customer, counterparty and regulatory claims, penalties and litigation costs and outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the ANZ Holdings Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Leasehold make good

Provisions associated with leased premises where, at the end of a lease, the ANZ Holdings Group is required to remove any fixtures and fittings installed in the leased property. This obligation arises immediately upon installation. Estimated make good costs are added to the right of use asset (within premises and equipment) upon installation and amortised over the lease term.

Other

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

RECOGNITION AND MEASUREMENT

The ANZ Holdings Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The ANZ Holdings Group holds provisions for various obligations including customer remediation, restructuring costs, leasehold make good and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice and adjustments are made to the provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

21. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2024 NZ$m	2023 NZ$m
Share capital	14,544	11,044
Reserves		
FVOCI reserve	(28)	(39)
Cash flow hedge reserve	52	(54)
Total reserves	24	(93)
Retained earnings	882	4,934
Equity attributable to the shareholder of the Company	15,450	15,885
Non-controlling interests	825	550
Total shareholders' equity	16,275	16,435

SHARE CAPITAL

The table below details the movement in issued shares and share capital for the period.

	Number of issued shares		NZ$ millions	
	2024	2023	2024	2023
Ordinary shares	378,155,112	378,155,112	1,450	1,450
Redeemable preference shares:				
Redeemable preference shares at beginning of the year	8,354,563,940	8,354,563,940	9,594	9,594
Redeemable preference shares issued	3,173,100,000	-	3,500	-
Uncalled redeemable preference shares redeemed	(44,990)	-	-	-
Total redeemable preference shares	11,527,618,950	8,354,563,940	13,094	9,594
Total share capital	11,905,774,062	8,732,719,052	14,544	11,044

Redeemable preference shares

All redeemable preference shares (RPS) were issued by ANZ Holdings (New Zealand) Limited to the Immediate Parent Company. RPS are redeemable by ANZ Holdings (New Zealand) Limited providing notice in writing to holders of the redeemable preference shares. Dividends are payable at the discretion of the Directors of ANZ Holdings (New Zealand) Limited and are non-cumulative.

There are nine classes of RPS, relating to issues in 1988, 2005, 2007, 2008, 2009, 2014, 2015, 2018 and 2024. ANZ Holdings (New Zealand) Limited did not pay any dividends on RPS during the years ended 30 September 2024 and 30 September 2023. The uncalled shares were redeemed for no value on 25 June 2024. There are no uncalled shares as at 30 September 2024 (2023: 44,990).

NON-CONTROLLING INTERESTS

The Bank has issued perpetual preference shares (PPS). Certain PPS are considered non-controlling interests to the ANZ Holdings Group.

	Profit attributable to non-controlling interest		Equity attributable to non-controlling interest		Dividend paid to non-controlling interests	
	2024	2023	2024	2023	2024	2023
Perpetual preference shares	35	27	825	550	35	27
Total	35	27	825	550	35	27

PPS do not carry any voting rights. They are classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

In the event of liquidation, holders of PPS are entitled to an amount equal to the issue price of the PPS. Holders of PPS rank behind the claims of all depositors and other creditors of the Bank (other than creditors that rank equally with the PPS), equally with the rights of other holders of PPS and other equal ranking securities and obligations, and in priority to the rights of holders of ordinary shares.

Holders of PPS are entitled to receive dividends that are discretionary, non-cumulative and subject to conditions. If a PPS dividend is not paid, there are certain restrictions on the ability of the Bank to pay a dividend on its ordinary shares. Holders of the PPS have no other rights to participate in the profits or property of the Bank.

Holders of PPS have no right to require that the PPS be redeemed.

The Bank has two classes of PPS that are quoted on the NZX Debt Market: PPS issued in 2022 and PPS issued in 2024.

21. SHAREHOLDERS' EQUITY (CONTINUED)

The key terms of the PPS are as follows:

	2022 PPS	2024 PPS
Issue date	18 July 2022	19 March 2024
Issue amount	NZ$550 million	NZ$275 million
First optional redemption date	18 July 2028	19 March 2030
Final maturity date	Perpetual	Perpetual
Dividend amount	6.95% per annum until 18 July 2028 (after which it changes to a floating rate equal to the aggregate of the New Zealand 3-month bank bill rate plus 3.25%), multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed).	7.60% per annum until 19 March 2030 (after which it changes to a floating rate equal to the aggregate of the New Zealand 3-month bank bill rate plus 3.25%), multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed).

As at 30 September 2024, the PPS carried a BBB+ credit rating from S&P Global Ratings. These credit ratings were upgraded from BBB on 2 April 2024.

The Bank may, at its option, redeem a class of PPS on an optional redemption date (being each scheduled quarterly dividend payment date from and including the first optional redemption date), or at any time following the occurrence of a tax event or regulatory event, subject to prior written approval of RBNZ and certain other conditions being met.

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Redeemable preference shares	RPS do not carry any voting rights. They are wholly classified as equity instruments as there is no contractual obligation for the Company to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis. In the event of liquidation of the Company, holders of RPS are entitled to available subscribed capital per share, pari passu with all holders of existing RPS but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.
Reserves:	
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes the changes in fair value of investment securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for ECL, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Non-controlling interests:	Share in the net assets of controlled entities attributable to equity interests which the ANZ Holdings Group does not own directly or indirectly. The equity interest comprises PPS issued by the Bank. PPS do not carry any voting rights. They are wholly classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis. In the event of liquidation, holders of PPS are entitled to available subscribed capital per share, pari passu with other equally ranking subordinated debt issued by the Bank but in priority to all holders of ordinary shares issued by the Bank. They have no entitlement to participate in further distribution of profits or assets.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

The ANZ Holdings Group’s core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of the ANZ Holdings Group’s capital position; and
- ensure that the capital base supports the ANZ Holdings Group’s risk appetite, and strategic business objectives, in an efficient and effective manner.

The Bank has regulatory capital requirements and holds, and manages, most of the Banking Group’s capital position. The Bank’s Board holds ultimate responsibility for ensuring that capital adequacy of the Banking Group is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group’s Internal Capital Adequacy Assessment Process (ICAAP) policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal risk capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for capital that ensure sufficient capital is maintained to:

- meet minimum prudential requirements imposed by the Bank’s regulators;
- ensure consistency with the Banking Group’s overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- support the internal risk capital requirements of the business.

ALCO is responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group’s ICAAP is subject to independent and periodic review.

MANAGED CAPITAL

The Banking Group is subject to its own regulatory capital requirements as administered by RBNZ. The following table provides details of the capital of the ANZ Holdings Group which is managed outside the Banking Group.

	2024 NZ$m	2023 NZ$m
ANZ Holdings Group shareholders' equity	16,275	16,435
Subordinated debt issued by ANZ Holdings (New Zealand) Limited used to purchase PPS issued by the Bank	864	-
Subordinated debt from the Ultimate Parent Bank used to purchase PPS issued by the Bank	-	285
Borrowings from the Immediate Parent Company used to purchase ordinary shares issued by the Bank	1,766	1,766
less: Banking Group shareholders' equity	(18,810)	(18,421)
Capital of ANZ Holdings Group managed outside the Banking Group	**95**	65
Total assets of ANZ Holdings Group held outside the Banking Group	**3**	2
Ratio	**3166.7%**	3250.0%

23. CONTROLLED ENTITIES

The following table lists the subsidiaries of the ANZ Holdings Group. All subsidiaries are 100% owned and incorporated in New Zealand unless stated otherwise.

ANZ Holdings (New Zealand) Limited	Nature of business Holding company
ANZ Bank New Zealand Limited	Registered bank
ANZ Custodial Services New Zealand Limited	Custodian and nominee
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ National Staff Superannuation Limited	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Holdings Limited	Holding company
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Investments Nominees Limited	Custodian and nominee
OneAnswer Nominees Limited	Wrap services provider
ANZNZ Covered Bond Trust[1]	Securitisation entity
Arawata Assets Limited	Property
Endeavour Finance Limited	Investment
Kingfisher NZ Trust 2008-1[1]	Securitisation entity

1 The ANZ Holdings Group does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as the ANZ Holdings Group retains substantially all the risks and rewards of the operations. Details of the ANZ Holdings Group's interest in consolidated structured entities is included in Note 24 Structured entities.

RECOGNITION AND MEASUREMENT

The ANZ Holdings Group subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The ANZ Holdings Group assesses whether it has power over those entities by examining the ANZ Holdings Group's existing rights to direct the relevant activities of the entity.

NOTES TO THE FINANCIAL STATEMENTS

24. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the ANZ Holdings Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The ANZ Holdings Group's involvement with SEs is as follows:

Type	Details
Securitisation	The ANZ Holdings Group uses the Kingfisher NZ Trust 2008-1 (the Kingfisher Trust) to securitise residential mortgages that it has originated, in order to diversify sources of funding for liquidity management. The Kingfisher Trust is an internal securitisation (bankruptcy remote) vehicle created for the purpose of structuring assets that are eligible for repurchase under agreements with RBNZ (these are known as 'Repo eligible'). The ANZ Holdings Group is exposed to variable returns from its involvement with the Kingfisher Trust and has the ability to affect those returns through its power over the Kingfisher Trust's activities. As at 30 September 2024 and 30 September 2023, the ANZ Holdings Group had entered into repurchase agreements with RBNZ in relation to the TLF and FLP. Additionally, the ANZ Holdings Group may acquire interests in securitisation vehicles set up by third parties through providing lending facilities to, or holding securities issued by, such entities.
ANZNZ Covered Bond Trust (the Covered Bond Trust)	Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all priority ranking creditors of the Covered Bond Trust have been satisfied. The ANZ Holdings Group is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Covered Bond Trust's activities.
Structured finance arrangements	The ANZ Holdings Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The ANZ Holdings Group may provide risk management products (derivatives) to the SE. In all instances, the ANZ Holdings Group does not control these SEs. Further, the ANZ Holdings Group's involvement does not establish more than a passive interest in decisions about the relevant activities of the SE, and accordingly we do not consider that interest disclosable.
Funds management activities	The ANZ Holdings Group is the scheme manager for a number of Managed Investment Schemes (MIS). These MIS include the ANZ and OneAnswer branded KiwiSaver, retail and wholesale schemes. These MIS are financed through the issue of units to investors and the ANZ Holdings Group considers them to be SEs. The ANZ Holdings Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures to the MIS that would allow the ANZ Holdings Group to control the funds. Therefore, these MIS are not consolidated.

24. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

Financial or other support provided to consolidated SEs

The Bank provides lending facilities, derivatives and commitments to the Kingfisher Trust and the Covered Bond Trust and/or holds debt instruments that they have issued. The Bank did not provide any non-contractual support to consolidated SEs during the year (2023: nil).

UNCONSOLIDATED STRUCTURED ENTITIES

The ANZ Holdings Group's interest in unconsolidated SEs

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the ANZ Holdings Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass on risks specific to the performance of the SE; lending; loan commitments;

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the ANZ Holdings Group's involvement is not more than a passive interest - for example: when the ANZ Holdings Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the ANZ Holdings Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the ANZ Holdings Group to market risk (rather than performance risk specific to the SE) or derivatives through which the ANZ Holdings Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The ANZ Holdings Group earned funds management fees from its MIS of NZ$199 million (2023: NZ$192 million) during the year. As at 30 September 2024, the ANZ Holdings Group had total funds under management of NZ$39.7 billion (2023: NZ$37.1 billion) of which NZ$26.0 billion (2023: NZ$26.1 billion) related to its MIS, with the largest individual fund being approximately NZ$5.2 billion (2023: NZ$4.4 billion).

The ANZ Holdings Group did not provide any non-contractual support to unconsolidated SEs during the year (2023: nil): nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The ANZ Holdings Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the ANZ Holdings Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the ANZ Holdings Group is the major user of that SE; or
- the ANZ Holdings Group's name appears in the name of that SE, or on its products; or
- the ANZ Holdings Group provides implicit or explicit guarantees of that SE's performance.

The Bank has sponsored the ANZ PIE Fund, which invests only in deposits with the Bank. The ANZ Holdings Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the ANZ Holdings Group has control over SEs. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

NOTES TO THE FINANCIAL STATEMENTS

25. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the ANZ Holdings Group enters into transactions where it transfers financial assets directly to third parties. These transfers may give rise to the ANZ Holdings Group fully, or partially, derecognising those financial assets - depending on the ANZ Holdings Group's exposure to the risks and rewards or control over the transferred assets. If the ANZ Holdings Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the ANZ Holdings Group's balance sheet in its entirety.

Covered bonds

The ANZ Holdings Group operates a covered bond programme to raise funding. Refer to Note 24 Structured entities for further details. The covered bonds issued externally are included within debt issuances.

Repurchase agreements

When the ANZ Holdings Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Covered bonds		Repurchase agreements	
	2024 NZ$m	2023 NZ$m	2024 NZ$m	2023 NZ$m
Current carrying amount of assets transferred	**10,563**	10,926	**4,327**	5,470
Carrying amount of associated liabilities	**2,156**	3,373	**3,750**	4,429

26. RELATED PARTY DISCLOSURES

Key management personnel and their related parties

Key management personnel (KMP) are defined as directors and those executives having authority and responsibility for planning, directing and controlling the activities of the ANZ Holdings Group. Executive roles included in KMP are the Bank's Chief Executive Officer (CEO), and all executives reporting directly to the Bank's CEO.

Key management personnel compensation[1]	2024 NZ$000	2023 NZ$000
Salaries and short-term employee benefits	**13,318**	12,139
Post-employment benefits	**363**	351
Other long-term benefits[2]	**76**	78
Share-based payments	**4,200**	3,589
Total	**17,957**	16,157

1 Includes former disclosed KMPs until the end of their employment, and close family members of KMP employed by the ANZ Holdings Group.
2 Comprises long service leave accrued during the year.

Transactions and balances with key management personnel and their related parties[1]	2024 NZ$m	2023 NZ$m
Secured loans and advances	**12**	24
Credit related commitments (undrawn loan facilities)	**4**	3
Interest income	**1**	1
Customer deposits[2]	**9**	22
Payables and other liabilities (share-based payments liability)	**4**	3

1 Includes KMP, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members, of the ANZ Holdings Group and its parent companies.
2 Includes holdings of units in the ANZ PIE Fund (a sponsored unconsolidated structured entity) which are invested solely in deposits of the Bank.

Loans made to KMP and their related parties are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off or forgiven, or individually assessed allowances for expected credit losses raised in respect of these balances (2023: nil).

All other transactions with KMP and their related parties are made on terms and conditions no more favourable than those given to other employees or customers. These transactions generally involve the provision of financial and investment services. In addition to the amounts above:

- Aggregate amounts for each of unsecured loans and advances, interest expense, fee income, debt issuances and collectively assessed credit impairment charge and allowance for expected credit losses were less than NZ$1 million for both years presented.
- KMP and their related parties also hold units in other MIS managed by the ANZ Holdings Group. Transactions and balances in respect of these MIS holdings are not disclosed because those MIS are unconsolidated structured entities and not included in the financial statements of the ANZ Holdings Group.
- Some KMP pay the ANZ Holdings Group for the use of carparks in premises owned or leased by the ANZ Holdings Group. These amounts were less than NZ$0.1 million (2023: less than NZ$0.1 million).

26. RELATED PARTY DISCLOSURES (continued)

Transactions with other members of the ANZ Group and associates

The ANZ Holdings Group undertakes transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the ANZ Group and associates.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to ANZ Holdings Group employees. These transactions are conducted on an arm's length basis and on normal commercial terms.

Transactions	2024 NZ$m	2023 NZ$m
Immediate Parent Company		
Interest expense	86	51
Redeemable preference shares issued	3,500	-
Dividends paid	6,145	1,345
Ultimate Parent Bank and other ANZ Group subsidiaries		
Interest income	8	11
Interest expense	35	36
Loss on sale of mortgages to the NZ Branch	-	(1)
Other operating income	12	10
Operating expenses	68	63
Mortgages sold to the NZ Branch	65	72
Mortgages repurchased from the NZ Branch	23	20
Associates		
Operating expenses	3	3

Outstanding balances	2024 NZ$m	2023 NZ$m
Ultimate Parent Bank and other ANZ Group subsidiaries		
Cash and cash equivalents	117	177
Derivative financial instruments	7,452	5,509
Other assets	160	50
Total due from related parties	7,729	5,736
Immediate Parent Company		
Deposits and other borrowings	1,766	1,766
Payables and other liabilities	49	27
Ultimate Parent Bank and other ANZ Group subsidiaries		
Settlement balances payable	69	7
Collateral received	-	547
Deposits and other borrowings	271	12
Derivative financial instruments	7,473	4,993
Payables and other liabilities	58	79
Debt issuances	940	1,223
Associates		
Deposits and other borrowings	1	1
Total due to related parties	10,627	8,655

Balances due from / to other members of the ANZ Group and associates are unsecured. The Bank has provided guarantees and commitments to, and received guarantees from, these entities as follows:

	2024 NZ$m	2023 NZ$m
Financial guarantees provided by the Ultimate Parent Bank and other ANZ Group subsidiaries	249	227
Financial guarantees provided to the Ultimate Parent Bank and other ANZ Group subsidiaries	189	69
Performance related contingent liabilities to the Ultimate Parent Bank and other ANZ Group subsidiaries	58	70
Undrawn facilities provided to associates	1	1

27. COMMITMENTS AND CONTINGENT LIABILITIES

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2024 NZ$m	2023 NZ$m
Contract amount of:		
Undrawn facilities	25,759	26,055
Guarantees and letters of credit	1,232	1,029
Performance related contingencies	1,656	1,590
Total	28,647	28,674

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the ANZ Holdings Group may be required to pay, the full amount of undrawn facilities mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the ANZ Holdings Group has entered into as principal.

Letters of credit involve the ANZ Holdings Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the ANZ Holdings Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risks associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the ANZ Holdings Group may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies mature within 12 months.

OTHER CONTINGENT LIABILITIES

There are outstanding court proceedings, claims and possible claims for and against the ANZ Holdings Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 20 Other provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of the ANZ Holdings Group.

REGULATORY AND CUSTOMER EXPOSURES

The ANZ Holdings Group regularly engages with its regulators. The nature of these regulatory interactions can be wide ranging and include regulatory investigations, surveillance and reviews, reportable situations, formal and informal inquiries and regulatory supervisory activities in New Zealand and globally. The ANZ Holdings Group also receives notices and requests for information from its regulators from time to time as part of both industry-wide and ANZ Holdings Group-specific reviews and makes disclosures to its regulators at its own instigation.

The nature of these interactions can be wide ranging and, for example, may relate to matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation.

The possible exposures associated with the ANZ Holdings Group's regulatory interactions may include civil enforcement actions, criminal proceedings, fines and penalties, imposition of capital or liquidity requirements, customer remediation, the requirement to conduct independent reviews, sanctions or the exercise of other regulatory powers.

There may also be exposures to customers, investors or third parties which are additional to any regulatory exposures. These could include class actions or claims for compensation or other remedies.

The outcomes and total costs associated with these possible regulatory, customer and other exposures remain uncertain.

27. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations. In July 2022, the High Court ruled that the plaintiffs may bring the proceeding as an opt-out representative action on behalf of a class, being certain customers who entered into a home loan or personal loan with the Bank between 6 June 2015 and 28 May 2016 and requested a variation to that loan during that period. Aspects of the decision were appealed by both parties, and a hearing took place at the Court of Appeal in April 2024. The decision was issued in July 2024, with the Court of Appeal confirming that the Bank's class size, with the current representative plaintiff, remains the same. The Court of Appeal also granted the plaintiff's application for a common fund order with immediate effect. The Bank has applied to the Supreme Court for leave to appeal the Court of Appeal's decision as it relates to common fund orders and is awaiting the Supreme Court's decision on whether to grant a hearing.

WARRANTIES AND INDEMNITIES

The ANZ Holdings Group has provided warranties, indemnities and other commitments in various contracts for the disposal of businesses and assets and other commercial transactions, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

28. AUDITOR FEES

	2024 NZ$000	2023 NZ$000
KPMG New Zealand		
Audit or review of financial statements[1]	**2,232**	2,120
Audit related services:		
Prudential and regulatory services[2]	**326**	295
Offer documents assurance or review	**147**	141
Other assurance services[3]	**804**	399
Total audit related services	**1,277**	835
Total KPMG New Zealand fees relating to the ANZ Holdings Group	**3,509**	2,955
Fees related to certain managed funds not recharged[4]	**266**	280
Total KPMG New Zealand fees	**3,775**	3,235
KPMG Australia		
Other assurance services - operational greenhouse gas emissions	**-**	53
Total auditor fees	**3,775**	3,288

1 Includes fees for both the audit of annual financial statements and reviews of interim financial statements.
2 Includes fees for reviews and controls reports required by regulations.
3 Includes fees for other reviews, agreed upon procedures and reasonable and limited assurance engagements.
4 Amounts relate to the ANZ PIE Fund, ANZ Investments Private Scheme and SIL Mutual Funds, and include fees for audits of annual financial statements, registry audits, supervisor reporting and other agreed upon procedures engagements.

Under the ANZ Holdings Group's policy, KPMG New Zealand or any of its related practices are allowed to provide assurance and other audit related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as RBNZ. Any other services that are not audit or audit-related services are non-audit services. The ANZ Holdings Group's policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG New Zealand or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

ASSURANCE REPORT

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ANZ HOLDINGS (NEW ZEALAND) LIMITED

REPORT ON AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of ANZ Holdings (New Zealand) Limited (the Company) and its subsidiaries (the ANZ Holdings Group) on pages 4 to 65 which comprise:

- the consolidated balance sheet as at 30 September 2024;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects:

- the ANZ Holdings Group's financial position as at 30 September 2024 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the ANZ Holdings Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

OTHER MATTER

The consolidated financial statements of the ANZ Holdings Group, for the year ended 30 September 2023 were not audited.

USE OF THIS INDEPENDENT AUDITOR'S REPORT

This independent auditor's report is made solely to the shareholder of the Company. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume responsibility and deny all liability to anyone other than the shareholder for our audit work, this independent auditor's report, or any of the opinions or conclusions we have formed.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors, on behalf of the ANZ Holdings Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability of the ANZ Holdings Group to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements including the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our independent auditor's report.

For and on behalf of:

KPMG

KPMG
Auckland
13 November 2024

anz.co.nz