

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
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REGISTERED BANK DISCLOSURE STATEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

CONTENTS

General Disclosures	2
Income Statement	3
Statement of Comprehensive Income	3
Balance Sheet	4
Condensed Cash Flow Statement	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7
Directors' and New Zealand Chief Executive Officer's Statement	16

GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

Banking Group means the Bank and all its controlled entities.

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

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

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

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

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

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

UDC means UDC Finance Limited.

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

RBNZ means the Reserve Bank of New Zealand.

APRA means the Australian Prudential Regulation Authority.

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

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

GENERAL DISCLOSURES

This Disclosure Statement has been issued in accordance with the Order.

Credit Rating Information

The Ultimate Parent Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations. The Ultimate Parent Bank's credit ratings are:

Rating Agency	Current Credit	
	Rating	Qualification
Standard & Poor's	AA-	Outlook Negative
Moody's Investors Service	Aa2	Outlook Negative
Fitch Ratings	AA-	Outlook Stable

Guarantors

No material obligations of the NZ Branch are guaranteed as at 16 February 2017.

ANZNZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 December 2016 of NZ\$4,960 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in note 7.

Financial Statements of the Ultimate Parent Bank and Overseas Banking Group

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

Other Matters

APRA has reviewed the level of exposures that can be provided to the respective New Zealand banking subsidiaries and branches (New Zealand operations) of the four Australian parent banks, including the Ultimate Parent Bank.

APRA has confirmed that by 1 January 2021 no more than 5% of the Ultimate Parent Bank's Level 1 Tier 1 capital can comprise non-equity exposures to its New Zealand operations during ordinary times. Exposures in excess of this limit must be reduced in equal percentages over the five year transition period and may not increase above the exposures as at 30 June 2015. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the Bank during times of financial stress.

The Ultimate Parent Bank established a New Zealand branch which was registered on 5 January 2009. The Bank sells, from time-to-time, residential loans and mortgages into the NZ Branch to provide funding for the Bank's business. As at 31 December 2016, the NZ Branch held approximately NZ\$5.5 billion of residential loans. To satisfy APRA's requirements described above, the Bank intends to repay this funding at approximately NZ\$1.6 billion per annum over the five year transition period ending 31 December 2020.

APRA has also clarified that contingent funding support by the Ultimate Parent Bank to the Bank during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to its New Zealand operations, must not exceed 50% of the Ultimate Parent Bank's Level 1 Tier 1 capital. At present, only covered bonds meet APRA's criteria for contingent funding. On this basis, we believe that the Ultimate Parent Bank will continue to be able to provide financial support to the Bank.

Directorate

Jane Halton, AO, PSM was appointed as a Non-Executive Director on 21 October 2016.

Ian Macfarlane retired as a Non-Executive Director on 16 December 2016.

Auditor

ANZ New Zealand's auditor is KPMG, Chartered Accountants, Level 9, 10 Customhouse Quay, Wellington, New Zealand.

INCOME STATEMENT

	Note	Unaudited 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Interest income		1,619	1,761	6,770
Interest expense		846	1,013	3,741
Net interest income		773	748	3,029
Net trading gains / (losses)		72	(9)	12
Net funds management and insurance income		21	69	414
Other operating income	2	98	65	401
Share of associates' profit		1	-	5
Operating income		965	873	3,861
Operating expenses		369	378	1,600
Profit before credit impairment and income tax		596	495	2,261
Credit impairment charge	5	37	27	147
Profit before income tax		559	468	2,114
Income tax expense		156	121	572
Profit after income tax		403	347	1,542

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Profit after income tax	403	347	1,542
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on defined benefit schemes	-	-	18
Income tax expense relating to items that will not be reclassified	-	-	(5)
Total items that will not be reclassified to profit or loss	-	-	13
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains / (losses) recognised directly in equity	(15)	-	91
Realised losses transferred to income statement	2	1	9
Income tax credit / (expense) relating to items that may be reclassified	3	-	(28)
Total items that may be reclassified subsequently to profit or loss	(10)	1	72
Total comprehensive income for the period	393	348	1,627

BALANCE SHEET

		Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		3,280	3,023	2,274
Settlement balances receivable		498	235	396
Collateral paid		1,700	2,853	2,310
Trading securities		10,996	12,003	11,979
Investments backing insurance contract liabilities		128	178	119
Derivative financial instruments		14,842	13,949	20,969
Available-for-sale assets		4,892	2,710	2,859
Net loans and advances	4	119,169	115,733	120,651
Other assets		609	700	701
Life insurance contract assets		549	510	630
Investments in associates		7	4	7
Premises and equipment		385	391	387
Goodwill and other intangible assets		3,294	3,500	3,424
UDC assets held for sale	18	2,806	-	-
Total assets		163,155	155,789	166,706
Interest earning and discount bearing assets		143,084	136,741	140,524
Liabilities				
Settlement balances payable		1,225	1,079	1,554
Collateral received		766	1,280	529
Deposits and other borrowings	8	110,195	105,607	106,908
Derivative financial instruments		15,806	16,078	22,398
Current tax liabilities		32	21	22
Deferred tax liabilities		136	117	147
Payables and other liabilities		1,149	1,503	1,137
Provisions		200	193	206
Debt issuances	9	17,962	16,059	20,014
Subordinated debt	10	2,613	2,644	2,624
UDC liabilities held for sale	18	1,511	-	-
Total liabilities (excluding head office account)		151,595	144,581	155,539
Net assets (excluding head office account)		11,560	11,208	11,167
Equity				
Share capital and initial head office account		8,055	8,058	8,055
Reserves		52	(9)	62
Retained earnings		3,453	3,159	3,050
Total equity and initial head office account		11,560	11,208	11,167
Interest and discount bearing liabilities		125,332	119,559	123,145

CONDENSED CASH FLOW STATEMENT

	Unaudited 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Cash flows from operating activities			
Interest received	1,618	1,751	6,794
Interest paid	(825)	(1,060)	(3,753)
Other cash inflows provided by operating activities	221	241	958
Other cash outflows used in operating activities	(544)	(671)	(2,140)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	470	261	1,859
Net changes in operating assets and liabilities	2,725	1,950	(3,593)
Net cash flows provided by / (used in) operating activities	3,195	2,211	(1,734)
Cash flows from investing activities			
Cash inflows provided by investing activities	-	38	40
Cash outflows used in investing activities	(15)	(38)	(100)
Net cash flows used in investing activities	(15)	-	(60)
Cash flows from financing activities			
Cash inflows provided by financing activities	250	-	7,380
Cash outflows used in financing activities	(2,448)	(1,681)	(5,797)
Net cash flows provided by / (used in) financing activities	(2,198)	(1,681)	1,583
Net increase / (decrease) in cash and cash equivalents	982	530	(211)
Cash and cash equivalents at beginning of the period	2,315	2,526	2,526
Cash and cash equivalents at end of the period	3,297	3,056	2,315

STATEMENT OF CHANGES IN EQUITY

	Share capital and initial head office account	Available- for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
As at 1 October 2015 (Audited)	8,058	-	(10)	2,812	10,860
Profit after income tax	-	-	-	347	347
Realised losses transferred to the income statement	-	-	1	-	1
Total comprehensive income for the period	-	-	1	347	348
As at 31 December 2015 (Unaudited)	8,058	-	(9)	3,159	11,208
As at 1 October 2015 (Audited)	8,058	-	(10)	2,812	10,860
Profit after income tax	-	-	-	1,542	1,542
Unrealised gains / (losses) recognised directly in equity	-	(2)	93	-	91
Realised losses transferred to the income statement	-	2	7	-	9
Actuarial gain on defined benefit schemes	-	-	-	18	18
Income tax expense on items recognised directly in equity	-	-	(28)	(5)	(33)
Total comprehensive income for the period	-	-	72	1,555	1,627
Shares cancelled on amalgamation	(3)	-	-	3	-
Ordinary dividend paid	-	-	-	(1,320)	(1,320)
As at 30 September 2016 (Audited)	8,055	-	62	3,050	11,167
Profit after income tax	-	-	-	403	403
Unrealised gains / (losses) recognised directly in equity	-	7	(22)	-	(15)
Realised losses transferred to the income statement	-	-	2	-	2
Income tax credit / (expense) on items recognised directly in equity	-	(2)	5	-	3
Total comprehensive income for the period	-	5	(15)	403	393
As at 31 December 2016 (Unaudited)	8,055	5	47	3,453	11,560

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Reporting entity and statement of compliance

These interim financial statements are for ANZ New Zealand for the three months ended 31 December 2016. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 2016.

(ii) Basis of measurement

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

- derivative financial instruments
- available-for-sale financial assets
- financial instruments held for trading
- financial instruments designated at fair value through profit and loss.

(iii) Changes in accounting policies

The accounting policies adopted by ANZ New Zealand are consistent with those adopted and disclosed in the previous full year Disclosure Statement.

(iv) Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

(v) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

(vi) Principles of consolidation

The consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank (those entities where it is determined that the Ultimate Parent Bank has capacity to control).

2. OTHER OPERATING INCOME

	Unaudited 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Net fee income	101	101	403
Fair value loss on hedging activities and financial liabilities designated at fair value	(11)	(45)	(41)
Other income	8	9	39
Total other operating income	98	65	401

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT ANALYSIS

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

During the year ended 30 September 2016, Wealth was integrated with Retail, having been disclosed separately previously. Segment reporting has been updated to reflect this change and other minor changes to ANZ New Zealand's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

Retail

Retail provides products and services to Retail, Private Banking, and Business Banking customers via the branch network, mortgage specialists, relationship managers, the contact centre and a variety of self service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Retail and Private Banking customers have personal banking requirements and Business Banking customers consist primarily of small enterprises with annual revenues of less than NZ\$5 million. Core products and services include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts), home loans secured by mortgages over property, investment products, superannuation and insurance services.

Commercial

Commercial provides services to Commercial & Agri (CommAgri) and UDC customers. CommAgri customers consist of primarily privately owned medium to large enterprises. Commercial's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Institutional

Institutional provides financial services through a number of specialised units to large multi-banked corporations, often global, which require sophisticated product and risk management solutions. Those financial services include loan structuring, foreign exchange, wholesale money market services and transaction banking.

Other

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

Business segment analysis¹

	Retail NZ\$m	Commercial NZ\$m	Institutional NZ\$m	Other NZ\$m	Total NZ\$m
Unaudited 3 months to 31/12/2016					
External revenues	737	456	173	(401)	965
Intersegment revenues	(128)	(227)	16	339	-
Total revenues	609	229	189	(62)	965
Profit / (loss) after income tax	256	99	99	(51)	403
Unaudited 3 months to 31/12/2015					
External revenues	697	491	91	(406)	873
Intersegment revenues	(119)	(263)	13	369	-
Total revenues	578	228	104	(37)	873
Profit / (loss) after income tax	227	107	38	(25)	347
Audited year to 30/09/2016					
External revenues	2,900	1,885	424	(1,348)	3,861
Intersegment revenues	(509)	(981)	60	1,430	-
Total revenues	2,391	904	484	82	3,861
Profit / (loss) after income tax	941	413	203	(15)	1,542

¹ Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

		Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Overdrafts ¹		836	1,012	1,133
Credit card outstandings		1,728	1,753	1,663
Term loans - housing ¹		73,926	69,078	73,330
Term loans - non-housing		44,429	43,147	43,651
Lease receivables		222	232	226
Hire purchase		1,164	978	1,098
Total gross loans and advances		122,305	116,200	121,101
Less: Provision for credit impairment	5	(648)	(623)	(632)
Less: Unearned income		(218)	(217)	(211)
Add: Capitalised brokerage/mortgage origination fees		361	342	366
Add: Customer liability for acceptances		31	31	27
Net loans and advances (including assets classified as held for sale)		121,831	115,733	120,651
Less: UDC net loans and advances held for sale	18	(2,662)	-	-
Net loans and advances		119,169	115,733	120,651

¹ Comparative amounts have been changed to reclassify revolving credit facilities secured by residential property provided to corporate customers from Overdrafts to Term loans – housing (31/12/2015 NZ\$405 million).

5. PROVISION FOR CREDIT IMPAIRMENT

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/12/2016				
Collective provision	85	126	251	462
Individual provision	35	6	145	186
Total provision for credit impairment	120	132	396	648
Collective credit impairment release	-	(4)	(12)	(16)
Individual credit impairment charge / (release)	(4)	14	43	53
Credit impairment charge / (release)	(4)	10	31	37
Unaudited 31/12/2015				
Collective provision	87	124	254	465
Individual provision	55	7	96	158
Total provision for credit impairment	142	131	350	623
Collective credit impairment charge / (release)	-	(3)	1	(2)
Individual credit impairment charge / (release)	(5)	17	17	29
Credit impairment charge / (release)	(5)	14	18	27
Audited 30/09/2016				
Collective provision	85	130	263	478
Individual provision	40	6	108	154
Total provision for credit impairment	125	136	371	632
Collective credit impairment charge / (release)	(2)	3	10	11
Individual credit impairment charge / (release)	(12)	70	78	136
Credit impairment charge / (release)	(14)	73	88	147

NOTES TO THE FINANCIAL STATEMENTS

6. IMPAIRED ASSETS AND PAST DUE ASSETS

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/12/2016				
Total impaired assets	58	23	459	540
Loans that are at least 90 days past due but not impaired	114	30	19	163
Unaudited 31/12/2015				
Total impaired assets	92	29	246	367
Loans that are at least 90 days past due but not impaired	116	32	29	177
Audited 30/09/2016				
Total impaired assets	64	27	342	433
Loans that are at least 90 days past due but not impaired	103	26	23	152

7. ASSETS CHARGED AS SECURITY FOR LIABILITIES

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

	Carrying Amount			Related Liability		
	Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016	Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Securities sold under agreements to repurchase	344	538	77	344	539	76
Residential mortgages pledged as security for covered bonds	10,749	7,643	10,265	4,960	4,828	6,218
Assets pledged as collateral for UDC secured investments	2,763	2,498	2,665	1,460	1,726	1,592

UDC Secured Investments are secured by a security interest granted under the Trust Deed over all of UDC Finance Limited's (UDC) present and future assets and undertakings, to Trustees Executors Limited, as supervisor. The assets subject to the security interest comprise mainly loans to UDC's customers and certain plant and equipment. The security interest secures all amounts payable by UDC on the UDC Secured Investments and all other moneys payable by UDC under the Trust Deed.

ANZ NZ 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 ANZ NZ Covered Bond Trust Limited as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

ANZ New Zealand continues to recognise the assets of the Covered Bond Trust on its balance sheet as, although they are pledged as security for covered bonds, the Bank retains substantially all the risks and rewards of ownership.

8. DEPOSITS AND OTHER BORROWINGS

	Note	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Term deposits		41,371	36,324	39,665
On demand and short term deposits		42,944	42,984	42,323
Deposits not bearing interest		8,562	7,154	7,780
UDC secured investments	7	1,460	1,726	1,592
Total customer deposits		94,337	88,188	91,360
Certificates of deposit		2,106	2,642	2,237
Commercial paper		7,466	5,858	5,364
Securities sold under agreements to repurchase		344	539	76
Borrowings from Ultimate Parent Bank and Immediate Parent Company		7,402	8,380	7,871
Deposits and other borrowings (including liabilities classified as held for sale)		111,655	105,607	106,908
Less: UDC secured investments held for sale	18	(1,460)	-	-
Deposits and other borrowings		110,195	105,607	106,908

NOTES TO THE FINANCIAL STATEMENTS

9. DEBT ISSUANCES

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Domestic bonds	3,875	3,525	3,975
U.S. medium term notes ¹	7,182	5,253	6,883
Euro medium term notes ¹	1,989	2,434	2,792
Covered bonds ¹	4,960	4,828	6,218
Index linked notes	-	36	-
Total debt issuances	18,006	16,076	19,868
Fair value hedge adjustment	(10)	117	192
Less debt issuances held by the Bank	(34)	(134)	(46)
Total debt issuances	17,962	16,059	20,014

¹ These debt issuances are issued by ANZ New Zealand (Int'l) Limited and are guaranteed by the Bank.

Debt issuances, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of ANZ New Zealand.

Domestic bonds includes two series of bonds quoted on the NZX Debt Market which mature on 2 September 2021 and 1 September 2023 respectively (the Bonds). NZX Regulation has granted the Bank a waiver in respect of the Bonds from the requirement in Main Board/Debt Market Listing Rule 5.2.3 (as modified by NZX's ruling on Rule 5.2.3 issued on 29 September 2015) to enable the Bank to apply for quotation of the Bonds on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a period of 6 months from the relevant dates of quotation of the Bonds on the NZX Debt Market. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds. To the extent that there is a material reduction in the spread of the Bonds, the Bank will notify NZX accordingly.

10. SUBORDINATED DEBT

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
ANZ Capital Notes¹			
AUD 970m ANZ Capital Notes 3 (ANZ CN3) ²	997	1,020	1,005
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN) ³	496	495	496
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond ³	835	835	835
AUD 10m perpetual subordinated floating rate loan	10	11	10
Dated subordinated debt			
AUD 265m subordinated floating rate loan	275	283	278
Total subordinated debt	2,613	2,644	2,624

¹ These instruments qualify as additional tier 1 capital of the Overseas Banking Group.

² These instruments are quoted on the Australian Stock Exchange.

³ These instruments are quoted on the NZX Debt Market.

11. RELATED PARTY BALANCES

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Total due from related parties	4,048	3,815	4,903
Total due to related parties	12,242	12,995	13,614

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

Basel III capital ratios

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)	
	31/12/2016	31/12/2015	30/09/2016	30/09/2016	30/09/2015
Unaudited					
Common equity tier 1 capital	9.5%	9.4%	9.6%	9.7%	9.6%
Tier 1 capital	11.4%	11.2%	11.8%	12.1%	11.6%
Total capital	14.0%	13.3%	14.3%	14.7%	13.7%

For calculation of minimum capital requirements under Pillar 1 (Capital Requirements) of the Basel Accord, APRA has accredited the Overseas Banking Group to use the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets and the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 31 December 2016 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 December 2016. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 December 2016, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ document BS2B.

Unaudited 31/12/2016	Implied risk weighted exposure	Notional capital charge
	NZ\$m	NZ\$m
Interest rate risk	5,192	415
Foreign currency risk	22	2
Equity risk	1	-
	5,215	417

Residential mortgages by loan-to-valuation ratio

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

Unaudited 31/12/2016	On-balance sheet	Off-balance sheet	Total
	NZ\$m	NZ\$m	
LVR range			
Does not exceed 60%	30,996	4,956	35,952
Exceeds 60% and not 70%	15,766	1,419	17,185
Exceeds 70% and not 80%	18,686	1,475	20,161
Does not exceed 80%	65,448	7,850	73,298
Exceeds 80% and not 90%	4,095	175	4,270
Exceeds 90%	1,852	207	2,059
Total	71,395	8,232	79,627

NOTES TO THE FINANCIAL STATEMENTS

Liquidity portfolio management

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

	Unaudited 31/12/2016 NZ\$m
Cash and balances with central banks	2,899
Certificates of deposit	809
Government, local body stock and bonds	6,409
Government treasury bills	850
Reserve Bank bills	1,253
Other bonds	6,688
Total liquidity portfolio	18,908

The Bank also held unencumbered internal residential mortgage backed securities which would entitle the Banking Group to enter into repurchase transactions with a value of NZ\$7,305 million at 31 December 2016.

13. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities not measured at fair value

Below is a comparison of the carrying amounts as reported on the balance sheet and fair values of financial asset and liability categories other than those categories where the carrying amount is at fair value or considered a reasonable approximation of fair value.

The fair values below have been calculated using discounted cash flow techniques where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.

	Unaudited 31/12/2016		Unaudited 31/12/2015		Audited 30/09/2016	
	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m
Assets						
Net loans and advances ¹	121,831	121,929	115,733	116,299	120,651	120,931
Liabilities						
Deposits and other borrowings ²	111,655	111,839	105,607	105,780	106,908	107,106
Debt issuances ¹	17,962	18,094	16,059	16,152	20,014	20,148
Subordinated debt	2,613	2,644	2,644	2,638	2,624	2,636

¹ Fair value hedging is applied to certain financial instruments within these categories. The resulting fair value adjustments mean that the carrying value differs from the amortised cost.

² Includes commercial paper (note 8) designated at fair value through profit or loss.

Financial assets and financial liabilities measured at fair value in the balance sheet

ANZ New Zealand uses a valuation method within the following hierarchy to determine the carrying amount of assets and liabilities held at fair value, all of which are recurring fair value measurements. There are no assets or liabilities measured at fair value on a non-recurring basis.

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.
- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

There have been no substantial changes in the valuation techniques applied to different classes of financial instruments during the period.

NOTES TO THE FINANCIAL STATEMENTS

Valuation hierarchy

	Unaudited 31/12/2016				Unaudited 31/12/2015				Audited 30/09/2016			
	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m
Financial assets												
Trading securities	10,880	116	-	10,996	11,804	199	-	12,003	11,937	42	-	11,979
Derivative financial instruments	25	14,811	6	14,842	19	13,925	5	13,949	3	20,959	7	20,969
Available-for-sale assets	3,981	910	1	4,892	1,384	1,324	2	2,710	1,671	1,187	1	2,859
Investments backing insurance contract liabilities	5	123	-	128	3	175	-	178	5	114	-	119
Total financial assets held at fair value	14,891	15,960	7	30,858	13,210	15,623	7	28,840	13,616	22,302	8	35,926
Financial liabilities												
Deposits and other borrowings	-	7,466	-	7,466	-	5,858	-	5,858	-	5,364	-	5,364
Derivative financial instruments	27	15,775	4	15,806	2	16,073	3	16,078	46	22,350	2	22,398
Payables and other liabilities	292	-	-	292	467	-	-	467	157	-	-	157
Total financial liabilities held at fair value	319	23,241	4	23,564	469	21,931	3	22,403	203	27,714	2	27,919

14. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

ANZ New Zealand measures its concentration of credit risk to bank counterparties on the basis of actual exposures, and to non-bank counterparties on the basis of limits.

For the three months ended 31 December 2016 there were no individual counterparties, excluding connected parties, governments and banks with long term credit ratings of A- or above, where ANZ New Zealand's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Overseas Banking Group's equity as at the end of the period.

This credit exposure information does not include exposures to counterparties if they are booked outside New Zealand.

15. INSURANCE BUSINESS

ANZ New Zealand conducts insurance business through its subsidiary OnePath Life (NZ) Limited (OnePath Life).

ANZ New Zealand's aggregate amount of insurance business comprises the total assets of OnePath Life of NZ\$857 million (31/12/2015: NZ\$881 million; 30/09/2016 NZ\$926 million), which is 0.5% (31/12/2015: 0.6%; 30/09/2016 0.6%) of the total consolidated assets of ANZ New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

16. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Contract amount of:			
Credit related commitments - facilities provided			
Undrawn facilities ¹	27,143	27,040	27,046
Guarantees and contingent liabilities			
Guarantees and letters of credit	874	888	850
Performance related contingencies	1,550	1,470	1,611
Total guarantees and contingent liabilities	2,424	2,358	2,461
Total Credit Related Commitments, Guarantees and Contingent Liabilities	29,567	29,398	29,507

¹ The comparative amount for undrawn facilities as at 31 December 2015 has been reduced by NZ\$5,353 million following a review of the composition of commitments.

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

Other contingent liabilities

ANZ New Zealand has other contingent liabilities in respect of actual and possible claims and court proceedings.

An assessment of ANZ New Zealand's likely loss in respect of these matters has been made on a case-by-case basis and provision made where deemed necessary.

17. ADDITIONAL DISCLOSURES

NZ Branch Funding	Unaudited 31/12/2016 NZ\$m
Total liabilities of the NZ Branch less amounts due to related parties	1,094

Overseas Banking Group Profitability and Size	Unaudited 30/09/2016 AUDm
Profit for the year ended 30/09/2016 ¹	5,720
Net profit after tax for the 12 months to 30/09/2016 as a percentage of average total assets	0.63%
Total assets	914,869
Percentage change in total assets in the 12 months to 30/09/2016	2.81%

¹ Net profit after tax for the period includes AUD 11 million of profit attributable to non-controlling interests.

Overseas Banking Group asset quality	Unaudited 30/09/2016 AUDm
Gross impaired assets	3,173
Gross impaired assets as a percentage of total assets	0.3%
Individual provision	1,307
Individual provision as a percentage of gross impaired assets	41.2%
Collective provision	2,876

18. SUBSEQUENT EVENTS

On 11 January 2017, the Bank announced that it had entered into a conditional agreement to sell UDC to HNA Group for approximately NZ\$660 million. Completion is expected late in the second half of the 2017 calendar year. The assets and liabilities of UDC are classified as held for sale as at 31 December 2016.

DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT

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

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

Over the three months ended 31 December 2016, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- (i) The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period
- (ii) The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 16 February 2017, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.



David Gonski, AC
Chairman,
on behalf of the Directors:



Anthony Bradshaw
Chief Executive Officer – NZ Branch

Ilana Atlas
Paula Dwyer
Shayne Elliott
David Gonski, AC
Jane Halton, AO, PSM
Lee Hsien Yang
Graeme Liebelt
John Macfarlane

