

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

FOR THE NINE MONTHS ENDED 30 JUNE 2017
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REGISTERED BANK DISCLOSURE STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2017

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GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

Banking Group 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. On 19 June 2017, Moody's Investors Service downgraded the Ultimate Parent Bank's credit rating from Aa2 to Aa3 and changed the outlook from Negative to Stable.

The Ultimate Parent Bank's credit ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Negative
Moody's Investors Service	Aa3	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Guarantors

No material obligations of the NZ Branch are guaranteed as at 14 August 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 30 June 2017 of NZ\$5,111 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 website 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 30 June 2017, the NZ Branch held NZ\$4.8 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

		Unaudited 9 months to 30/06/2017	Unaudited 9 months to 30/06/2016	Audited Year to 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Interest income		4,803	5,109	6,770
Interest expense		2,505	2,842	3,741
Net interest income		2,298	2,267	3,029
Net trading gains		174	44	12
Net funds management and insurance income		238	325	414
Other operating income	2	209	309	401
Share of associates' profit		5	2	5
Operating income		2,924	2,947	3,861
Operating expenses		1,102	1,198	1,600
Profit before credit impairment and income tax		1,822	1,749	2,261
Credit impairment charge	5	51	104	147
Profit before income tax		1,771	1,645	2,114
Income tax expense		496	452	572
Profit after income tax		1,275	1,193	1,542

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9 months to 30/06/2017	Unaudited 9 months to 30/06/2016	Audited Year to 30/09/2016
	NZ\$m	NZ\$m	NZ\$m
Profit after income tax	1,275	1,193	1,542
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain / (loss) on defined benefit schemes	19	(6)	18
Income tax credit / (expense) relating to items that will not be reclassified	(5)	2	(5)
Total items that will not be reclassified to profit or loss	14	(4)	13
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains / (losses) recognised directly in equity	(18)	78	91
Realised losses transferred to income statement	10	4	9
Income tax credit / (expense) relating to items that may be reclassified	2	(23)	(28)
Total items that may be reclassified subsequently to profit or loss	(6)	59	72
Total comprehensive income for the period	1,283	1,248	1,627

BALANCE SHEET

		Unaudited 30/06/2017	Unaudited 30/06/2016	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		2,216	1,951	2,274
Settlement balances receivable		374	550	396
Collateral paid		2,227	2,326	2,310
Trading securities		9,781	12,746	11,979
Investments backing insurance contract liabilities		120	120	119
Derivative financial instruments		15,286	21,376	20,969
Current tax assets		139	136	-
Available-for-sale assets		4,818	2,831	2,859
Net loans and advances	4	121,263	119,744	120,651
Other assets		619	723	701
Life insurance contract assets		605	633	630
Investments in associates		7	4	7
Premises and equipment		377	398	387
Goodwill and other intangible assets		3,283	3,418	3,424
UDC assets held for sale	18	2,956	-	-
Total assets		164,071	166,956	166,706
Interest earning and discount bearing assets		143,650	140,069	140,524
Liabilities				
Settlement balances payable		1,541	1,502	1,554
Collateral received		549	761	529
Deposits and other borrowings	8	108,800	108,413	106,908
Derivative financial instruments		16,897	23,290	22,398
Current tax liabilities		-	-	22
Deferred tax liabilities		169	156	147
Payables and other liabilities		1,136	1,595	1,137
Provisions		196	190	206
Debt issuances	9	19,320	17,108	20,014
Subordinated debt	10	2,628	2,623	2,624
UDC liabilities held for sale	18	1,150	-	-
Total liabilities (excluding head office account)		152,386	155,638	155,539
Net assets (excluding head office account)		11,685	11,318	11,167
Equity				
Share capital and initial head office account		8,055	8,058	8,055
Reserves		56	49	62
Retained earnings		3,574	3,211	3,050
Total equity and initial head office account		11,685	11,318	11,167
Interest and discount bearing liabilities		124,563	122,345	123,145

CONDENSED CASH FLOW STATEMENT

	Unaudited 9 months to 30/06/2017 NZ\$m	Unaudited 9 months to 30/06/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Cash flows from operating activities			
Interest received	4,835	5,114	6,794
Interest paid	(2,456)	(2,835)	(3,753)
Other cash inflows provided by operating activities	683	718	958
Other cash outflows used in operating activities	(1,615)	(1,713)	(2,140)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	1,447	1,284	1,859
Net changes in operating assets and liabilities	(192)	(622)	(3,593)
Net cash flows provided by / (used in) operating activities	1,255	662	(1,734)
Cash flows from investing activities			
Cash inflows provided by investing activities	-	38	40
Cash outflows used in investing activities	(41)	(69)	(100)
Net cash flows used in investing activities	(41)	(31)	(60)
Cash flows from financing activities			
Cash inflows provided by financing activities	2,943	3,907	7,380
Cash outflows used in financing activities	(4,264)	(5,070)	(5,797)
Net cash flows provided by / (used in) financing activities	(1,321)	(1,163)	1,583
Net decrease in cash and cash equivalents	(107)	(532)	(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	2,208	1,994	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	-	-	-	1,193	1,193
Unrealised gains recognised directly in equity	-	-	78	-	78
Realised losses transferred to the income statement	-	-	4	-	4
Actuarial loss on defined benefit schemes	-	-	-	(6)	(6)
Income tax credit / (expense) on items recognised directly in equity	-	-	(23)	2	(21)
Total comprehensive income for the period	-	-	59	1,189	1,248
Ordinary dividend paid	-	-	-	(790)	(790)
As at 30 June 2016 (Unaudited)	8,058	-	49	3,211	11,318
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	-	-	-	1,275	1,275
Unrealised gains / (losses) recognised directly in equity	-	10	(28)	-	(18)
Realised losses transferred to the income statement	-	-	10	-	10
Actuarial gain on defined benefit schemes	-	-	-	19	19
Income tax credit / (expense) on items recognised directly in equity	-	(3)	5	(5)	(3)
Total comprehensive income for the period	-	7	(13)	1,289	1,283
Ordinary dividend paid	-	-	-	(765)	(765)
As at 30 June 2017 (Unaudited)	8,055	7	49	3,574	11,685

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 nine months ended 30 June 2017. They have been prepared in accordance with the requirements of the Order and New Zealand Generally Accepted Accounting Practice (NZ GAAP) as applicable to interim financial statements. ANZ New Zealand is a publicly accountable for-profit entity for the purposes of complying with NZ GAAP.

These financial statements comply with 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 9 months to 30/06/2017 NZ\$m	Unaudited 9 months to 30/06/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Net fee income	294	301	403
Net fair value loss on hedging activities and other fair value adjustments	(110)	(21)	(43)
Other income	25	29	41
Total other operating income	209	309	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 and interest rate products, 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 9 months to 30/06/2017					
External revenues	2,165	1,336	450	(1,027)	2,924
Intersegment revenues	(346)	(651)	63	934	-
Total revenues	1,819	685	513	(93)	2,924
Profit / (loss) after income tax	751	328	281	(85)	1,275
Unaudited 9 months to 30/06/2016					
External revenues	2,157	1,427	339	(976)	2,947
Intersegment revenues	(371)	(742)	46	1,067	-
Total revenues	1,786	685	385	91	2,947
Profit / (loss) after income tax	710	327	160	(4)	1,193
Audited year to 30/09/2016					
External revenues	2,903	1,890	415	(1,347)	3,861
Intersegment revenues	(509)	(980)	60	1,429	-
Total revenues	2,394	910	475	82	3,861
Profit / (loss) after income tax	941	417	199	(15)	1,542

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

Other segment

The table below sets out the profit/(loss) after tax impact of items included in Other.

	Unaudited 9 months to 30/06/2017 NZ\$m	Unaudited 9 months to 30/06/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Operations and support	3	11	3
Economic hedges	(79)	(15)	(29)
Revaluation of insurance policies from changes in interest rates	(25)	45	42
Other	16	(45)	(31)
Total	(85)	(4)	(15)

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

		Unaudited 30/06/2017	Unaudited 30/06/2016	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Overdrafts		1,031	1,091	1,133
Credit card outstandings		1,634	1,674	1,663
Term loans - housing		76,258	72,286	73,330
Term loans - non-housing		44,130	43,872	43,651
Lease receivables		210	227	226
Hire purchase		1,287	1,037	1,098
Total gross loans and advances		124,550	120,187	121,101
Less: Provision for credit impairment	5	(593)	(631)	(632)
Less: Unearned income		(219)	(213)	(211)
Add: Capitalised brokerage/mortgage origination fees		347	362	366
Add: Customer liability for acceptances		21	39	27
Net loans and advances (including assets classified as held for sale)		124,106	119,744	120,651
Less: UDC net loans and advances held for sale	18	(2,843)	-	-
Net loans and advances		121,263	119,744	120,651

5. PROVISION FOR CREDIT IMPAIRMENT

	Retail mortgages	Other retail exposures	Non-retail exposures	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Unaudited 30/06/2017				
Collective provision	84	123	228	435
Individual provision	28	6	124	158
Total provision for credit impairment	112	129	352	593
Collective credit impairment release	(1)	(7)	(35)	(43)
Individual credit impairment charge / (release)	(10)	47	57	94
Credit impairment charge / (release)	(11)	40	22	51
Unaudited 30/06/2016				
Collective provision	87	131	261	479
Individual provision	44	6	102	152
Total provision for credit impairment	131	137	363	631
Collective credit impairment charge	-	4	8	12
Individual credit impairment charge / (release)	(10)	53	49	92
Credit impairment charge / (release)	(10)	57	57	104
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 30/06/2017				
Total impaired assets	41	20	368	429
Loans that are at least 90 days past due but not impaired	153	32	14	199
Unaudited 30/06/2016				
Total impaired assets	75	30	264	369
Loans that are at least 90 days past due but not impaired	124	31	49	204
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 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m	Unaudited 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Securities sold under agreements to repurchase	530	861	77	531	861	76
Residential mortgages pledged as security for covered bonds	10,842	11,317	10,265	5,111	4,739	6,218
Assets pledged as collateral for UDC secured investments	2,922	2,619	2,665	1,121	1,677	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.

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 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 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Term deposits		45,721	38,121	39,665
On demand and short term deposits		42,157	43,674	42,323
Deposits not bearing interest		8,590	7,548	7,780
UDC secured investments	7	1,121	1,677	1,592
Total customer deposits		97,589	91,020	91,360
Certificates of deposit		2,270	1,502	2,237
Commercial paper		2,736	6,541	5,364
Securities sold under agreements to repurchase		531	861	76
Deposits and other borrowings from Ultimate Parent Bank and Immediate Parent Company		6,795	8,489	7,871
Deposits and other borrowings (including liabilities classified as held for sale)		109,921	108,413	106,908
Less: UDC secured investments held for sale	18	(1,121)	-	-
Deposits and other borrowings		108,800	108,413	106,908

NOTES TO THE FINANCIAL STATEMENTS

9. DEBT ISSUANCES

	Unaudited 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Domestic bonds	4,025	3,575	3,975
U.S. medium term notes ¹	7,165	5,646	6,883
Euro medium term notes ¹	3,093	2,898	2,792
Covered bonds ¹	5,111	4,739	6,218
Index linked notes	-	36	-
Total debt issuances	19,394	16,894	19,868
Fair value hedge adjustment	(48)	233	192
Less debt issuances held by the Bank	(26)	(19)	(46)
Total debt issuances	19,320	17,108	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.

10. SUBORDINATED DEBT

	Unaudited 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
ANZ Capital Notes¹			
AUD 970m ANZ Capital Notes 3 (ANZ CN3) ²	1,008	1,004	1,005
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN) ³	496	495	496
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond ⁴	835	835	835
AUD 10m perpetual subordinated floating rate loan	11	11	10
Dated subordinated debt			
AUD 265m subordinated floating rate loan	278	278	278
Total subordinated debt	2,628	2,623	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. On 22 May 2017, Standard & Poor's downgraded the credit rating on these instruments from BBB- to BB+.

⁴ These instruments are quoted on the NZX Debt Market. On 22 May 2017, Standard & Poor's downgraded the credit rating on these instruments from BBB+ to BBB. On 19 June 2017, Moody's Investors Service downgraded the credit rating on these instruments from A3 to Baa1.

11. RELATED PARTY BALANCES

	Unaudited 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Total due from related parties	4,939	5,187	4,903
Total due to related parties	12,191	14,404	13,614

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

APRA Basel III capital ratios

Unaudited	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	30/06/2017	30/06/2016	30/09/2016	31/03/2017	31/03/2016	30/09/2016
Common equity tier 1 capital	9.8%	9.7%	9.6%	10.2%	10.2%	9.7%
Tier 1 capital	11.8%	11.8%	11.8%	12.3%	12.2%	12.1%
Total capital	14.2%	14.4%	14.3%	14.8%	14.4%	14.7%

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 30 June 2017 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 June 2017. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 June 2017, 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 30/06/2017	Implied risk weighted exposure	Notional capital charge
	NZ\$m	NZ\$m
Interest rate risk	6,649	532
Foreign currency risk	119	10
Equity risk	1	-
	6,769	542

Residential mortgages by loan-to-valuation ratio (LVR)

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 30/06/2017	On-balance sheet	Off-balance sheet	Total
	NZ\$m	NZ\$m	NZ\$m
LVR range			
Does not exceed 60%	34,246	5,217	39,463
Exceeds 60% and not 70%	16,731	1,386	18,117
Exceeds 70% and not 80%	17,934	1,273	19,207
Does not exceed 80%	68,911	7,876	76,787
Exceeds 80% and not 90%	3,216	141	3,357
Exceeds 90%	1,578	185	1,763
Total	73,705	8,202	81,907

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 the requirements of its liquidity policy and includes both items classified as cash and those classified as operating assets in the Condensed Cash Flow Statement.

	Unaudited 30/06/2017 NZ\$m
Cash and balances with central banks	2,018
Certificates of deposit	549
Government, local body stock and bonds	5,520
Government treasury bills	701
Other bonds	6,960
Total liquidity portfolio	15,748

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\$7,427 million at 30 June 2017.

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 30/06/2017		Unaudited 30/06/2016		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 ^{1,2}	124,106	124,080	119,744	120,094	120,651	120,931
Liabilities						
Deposits and other borrowings ^{2,3}	109,921	110,133	108,413	108,574	106,908	107,106
Debt issuances ¹	19,320	19,483	17,108	17,233	20,014	20,148
Subordinated debt	2,628	2,681	2,623	2,563	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 UDC items classified as held for sale.

³ 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 30/06/2017				Unaudited 30/06/2016				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	8,601	1,180	-	9,781	12,592	154	-	12,746	11,937	42	-	11,979
Derivative financial instruments	10	15,272	4	15,286	3	21,366	7	21,376	3	20,959	7	20,969
Available-for-sale assets	4,319	498	1	4,818	1,636	1,193	2	2,831	1,671	1,187	1	2,859
Investments backing insurance contract liabilities	4	116	-	120	5	115	-	120	5	114	-	119
Total financial assets held at fair value	12,934	17,066	5	30,005	14,236	22,828	9	37,073	13,616	22,302	8	35,926
Financial liabilities												
Deposits and other borrowings	-	2,736	-	2,736	-	6,541	-	6,541	-	5,364	-	5,364
Derivative financial instruments	11	16,885	1	16,897	41	23,249	-	23,290	46	22,350	2	22,398
Payables and other liabilities	180	-	-	180	386	-	-	386	157	-	-	157
Total financial liabilities held at fair value	191	19,621	1	19,813	427	29,790	-	30,217	203	27,714	2	27,919

14. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

ANZ New Zealand measures its concentration of credit risk using actual exposures for bank counterparties and limits for non-bank counterparties. No account is taken of collateral, security and/or netting agreements which ANZ New Zealand may hold in respect of the various counterparty exposures.

For the three months ended 30 June 2017 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\$893 million (30/06/2016: NZ\$921 million; 30/09/2016 NZ\$926 million), which is 0.5% (30/06/2016: 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 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Contract amount of:			
Credit related commitments - facilities provided			
Undrawn facilities ¹	26,871	27,333	27,046
Guarantees and contingent liabilities			
Guarantees and letters of credit	902	929	850
Performance related contingencies	1,487	1,534	1,611
Total guarantees and contingent liabilities	2,389	2,463	2,461
Total credit related commitments, guarantees and contingent liabilities	29,260	29,796	29,507

¹ The comparative amount for undrawn facilities as at 30 June 2016 has been reduced by NZ\$5,851 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 30/06/2017 NZ\$m
Total liabilities of the NZ Branch less amounts due to related parties	1,055

Overseas Banking Group Profitability and Size

	Unaudited 31/03/2017 AUDm
Profit for the six months ended 31/03/2017 ¹	2,919
Net profit after tax for the year to 31/03/2017 as a percentage of average total assets	0.64%
Total assets	896,511
Percentage change in total assets in the 12 months to 31/03/2017	0.14%

¹ Net profit after tax for the period includes AUD 8 million of profit attributable to non-controlling interests.

Overseas Banking Group asset quality

	31/03/2017 AUDm
Unaudited	
Gross impaired assets	2,940
Gross impaired assets as a percentage of total assets	0.3%
Individual provision	1,269
Individual provision as a percentage of gross impaired assets	43.2%
Collective provision	2,785

18. DISPOSAL GROUP HELD FOR SALE

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 30 June 2017. The sale is subject to closing steps and conditions including regulatory approvals.

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 nine months ended 30 June 2017, 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 14 August 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

