

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

FOR THE SIX MONTHS ENDED 31 MARCH 2017
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REGISTERED BANK DISCLOSURE STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 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.

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 31 May 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 March 2017 of NZ\$5,011 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 payable in New Zealand dollars. 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 31 March 2017, the NZ Branch held approximately NZ\$5.3 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 6 months to 31/03/2017	Unaudited 6 months to 31/03/2016	Audited Year to 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Interest income		3,202	3,455	6,770
Interest expense		1,668	1,962	3,741
Net interest income		1,534	1,493	3,029
Net trading gains		136	19	12
Net funds management and insurance income		133	193	414
Other operating income	2	173	215	401
Share of associates' profit		1	-	5
Operating income		1,977	1,920	3,861
Operating expenses		730	822	1,600
Profit before credit impairment and income tax		1,247	1,098	2,261
Credit impairment charge	5	40	50	147
Profit before income tax		1,207	1,048	2,114
Income tax expense		338	285	572
Profit after income tax		869	763	1,542

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31/03/2017	Unaudited 6 months to 31/03/2016	Audited Year to 30/09/2016
	NZ\$m	NZ\$m	NZ\$m
Profit after income tax	869	763	1,542
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain / (loss) on defined benefit schemes	19	(5)	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	(3)	13
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains / (losses) recognised directly in equity	(15)	56	91
Realised losses transferred to income statement	6	2	9
Income tax credit / (expense) relating to items that may be reclassified	2	(17)	(28)
Total items that may be reclassified subsequently to profit or loss	(7)	41	72
Total comprehensive income for the period	876	801	1,627

BALANCE SHEET

		Unaudited 31/03/2017	Unaudited 31/03/2016	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		1,894	2,830	2,274
Settlement balances receivable		678	544	396
Collateral paid		1,642	2,114	2,310
Trading securities		10,840	12,499	11,979
Investments backing insurance contract liabilities		145	189	119
Derivative financial instruments		14,078	21,102	20,969
Current tax assets		61	74	-
Available-for-sale assets		3,729	2,245	2,859
Net loans and advances	4	120,227	117,470	120,651
Other assets		618	765	701
Life insurance contract assets		583	567	630
Investments in associates		7	4	7
Premises and equipment		378	398	387
Goodwill and other intangible assets		3,290	3,416	3,424
UDC assets held for sale	19	2,837	-	-
Total assets		161,007	164,217	166,706
Interest earning and discount bearing assets		141,496	137,670	140,524
Liabilities				
Settlement balances payable		1,579	1,704	1,554
Collateral received		401	919	529
Deposits and other borrowings	8	107,056	105,826	106,908
Derivative financial instruments		14,631	22,548	22,398
Current tax liabilities		-	-	22
Deferred tax liabilities		164	146	147
Payables and other liabilities		1,099	1,771	1,137
Provisions		188	187	206
Debt issuances	9	20,601	17,547	20,014
Subordinated debt	10	2,682	2,698	2,624
UDC liabilities held for sale	19	1,328	-	-
Total liabilities (excluding head office account)		149,729	153,346	155,539
Net assets (excluding head office account)		11,278	10,871	11,167
Equity				
Share capital and head office account		8,055	8,058	8,055
Reserves		55	31	62
Retained earnings		3,168	2,782	3,050
Total equity and head office account		11,278	10,871	11,167
Interest and discount bearing liabilities		124,265	121,297	123,145

CONDENSED CASH FLOW STATEMENT

	Unaudited 6 months to 31/03/2017 NZ\$m	Unaudited 6 months to 31/03/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Cash flows from operating activities			
Interest received	3,214	3,436	6,794
Interest paid	(1,666)	(2,001)	(3,753)
Other cash inflows provided by operating activities	447	467	958
Other cash outflows used in operating activities	(1,121)	(1,280)	(2,140)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	874	622	1,859
Net changes in operating assets and liabilities	(847)	923	(3,593)
Net cash flows provided by / (used in) operating activities	27	1,545	(1,734)
Cash flows from investing activities			
Cash inflows provided by investing activities	-	38	40
Cash outflows used in investing activities	(26)	(48)	(100)
Net cash flows used in investing activities	(26)	(10)	(60)
Cash flows from financing activities			
Cash inflows provided by financing activities	2,943	2,883	7,380
Cash outflows used in financing activities	(3,363)	(4,005)	(5,797)
Net cash flows provided by / (used in) financing activities	(420)	(1,122)	1,583
Net increase / (decrease) in cash and cash equivalents	(419)	413	(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	1,896	2,939	2,315

STATEMENT OF CHANGES IN EQUITY

	Share capital and 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	-	-	-	763	763
Unrealised gains recognised directly in equity	-	-	56	-	56
Realised losses transferred to the income statement	-	-	2	-	2
Actuarial loss on defined benefit schemes	-	-	-	(5)	(5)
Income tax credit / (expense) on items recognised directly in equity	-	-	(17)	2	(15)
Total comprehensive income for the period	-	-	41	760	801
Ordinary dividend paid	-	-	-	(790)	(790)
As at 31 March 2016 (Unaudited)	8,058	-	31	2,782	10,871
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	-	-	-	869	869
Unrealised gains / (losses) recognised directly in equity	-	7	(22)	-	(15)
Realised losses transferred to the income statement	-	-	6	-	6
Actuarial gain on defined benefit schemes	-	-	-	19	19
Income tax credit / (expense) on items recognised directly in equity	-	(2)	4	(5)	(3)
Total comprehensive income for the period	-	5	(12)	883	876
Ordinary dividend paid	-	-	-	(765)	(765)
As at 31 March 2017 (Unaudited)	8,055	5	50	3,168	11,278

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 six months ended 31 March 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
- financial instruments held for trading
- financial assets treated as available-for-sale
- 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 6 months to 31/03/2017 NZ\$m	Unaudited 6 months to 31/03/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Net fee income	190	197	403
Fair value loss on hedging activities and financial liabilities designated at fair value	(33)	(2)	(41)
Other income	16	20	39
Total other operating income	173	215	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 6 months to 31/03/2017					
External revenues	1,447	893	328	(691)	1,977
Intersegment revenues	(241)	(437)	38	640	-
Total revenues	1,206	456	366	(51)	1,977
Profit / (loss) after income tax	499	219	198	(47)	869
Unaudited 6 months to 31/03/2016					
External revenues	1,412	966	218	(676)	1,920
Intersegment revenues	(238)	(510)	14	734	-
Total revenues	1,174	456	232	58	1,920
Profit / (loss) after income tax	464	223	95	(19)	763
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 6 months to 31/03/2017 NZ\$m	Unaudited 6 months to 31/03/2016 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Operations and support	(1)	13	3
Economic hedges	(24)	(2)	(29)
Revaluation of insurance policies	(35)	14	42
Other	13	(44)	(31)
Total	(47)	(19)	(15)

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

		Unaudited	Unaudited	Audited
	Note	31/03/2017	31/03/2016	30/09/2016
		NZ\$m	NZ\$m	NZ\$m
Overdrafts		1,267	1,128	1,133
Credit card outstandings		1,645	1,683	1,663
Term loans - housing		75,030	70,607	73,330
Term loans - non-housing		44,025	43,267	43,651
Lease receivables		217	229	226
Hire purchase		1,220	999	1,098
Total gross loans and advances		123,404	117,913	121,101
Less: Provision for credit impairment	5	(622)	(604)	(632)
Less: Unearned income		(219)	(215)	(211)
Add: Capitalised brokerage/mortgage origination fees		349	346	366
Add: Customer liability for acceptances		42	30	27
Net loans and advances (including assets classified as held for sale)		122,954	117,470	120,651
Less: UDC net loans and advances held for sale	19	(2,727)	-	-
Net loans and advances		120,227	117,470	120,651

5. PROVISION FOR CREDIT IMPAIRMENT

Credit impairment charge / (release)

	Retail	Other retail	Non-retail	Total
	mortgages	exposures	exposures	
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Unaudited 31/03/2017				
New and increased provisions	4	46	66	116
Write-backs	(12)	(5)	(18)	(35)
Recoveries of amounts written off previously	-	(11)	(1)	(12)
Individual credit impairment charge / (release)	(8)	30	47	69
Collective credit impairment release	(3)	(4)	(22)	(29)
Credit impairment charge / (release)	(11)	26	25	40
Unaudited 31/03/2016				
New and increased provisions	12	57	39	108
Write-backs	(20)	(9)	(16)	(45)
Recoveries of amounts written off previously	-	(11)	(2)	(13)
Individual credit impairment charge / (release)	(8)	37	21	50
Collective credit impairment charge / (release)	(3)	4	(1)	-
Credit impairment charge / (release)	(11)	41	20	50
Audited 30/09/2016				
New and increased provisions	23	110	111	244
Write-backs	(35)	(18)	(30)	(83)
Recoveries of amounts written off previously	-	(22)	(3)	(25)
Individual credit impairment charge / (release)	(12)	70	78	136
Collective credit impairment charge / (release)	(2)	3	10	11
Credit impairment charge / (release)	(14)	73	88	147

NOTES TO THE FINANCIAL STATEMENTS

Movement in provision for credit impairment

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/03/2017				
Collective provision				
Balance at beginning of the period	85	130	263	478
Release to income statement	(3)	(4)	(22)	(29)
Balance at end of the period	82	126	241	449
Individual provision				
Balance at beginning of the period	40	6	108	154
New and increased provisions net of write-backs	(8)	41	48	81
Bad debts written off	-	(41)	(16)	(57)
Discount unwind	(1)	-	(4)	(5)
Balance at end of the period	31	6	136	173
Total provision for credit impairment	113	132	377	622
Unaudited 31/03/2016				
Collective provision				
Balance at beginning of the period	87	127	253	467
Charge / (release) to income statement	(3)	4	(1)	-
Balance at end of the period	84	131	252	467
Individual provision				
Balance at beginning of the period	62	9	91	162
New and increased provisions net of write-backs	(8)	48	23	63
Bad debts written off	(3)	(50)	(29)	(82)
Discount unwind	(2)	-	(4)	(6)
Balance at end of the period	49	7	81	137
Total provision for credit impairment	133	138	333	604
Audited 30/09/2016				
Collective provision				
Balance at beginning of the year	87	127	253	467
Charge / (release) to income statement	(2)	3	10	11
Balance at end of the year	85	130	263	478
Individual provision				
Balance at beginning of the year	62	9	91	162
New and increased provisions net of write-backs	(12)	92	81	161
Bad debts written off	(6)	(95)	(55)	(156)
Discount unwind	(4)	-	(9)	(13)
Balance at end of the year	40	6	108	154
Total provision for credit impairment	125	136	371	632

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 31/03/2017				
Balance at beginning of the period	64	27	342	433
Transfers from productive	19	52	260	331
Transfers to productive	(12)	(5)	(9)	(26)
Assets realised or loans repaid	(23)	(13)	(155)	(191)
Write offs	-	(41)	(16)	(57)
Total impaired assets	48	20	422	490
Other assets under administration	8	2	-	10
Undrawn facilities with impaired customers	-	-	23	23
Unaudited 31/03/2016				
Balance at beginning of the period	119	32	253	404
Transfers from productive	40	67	107	214
Transfers to productive	(23)	(3)	(4)	(30)
Assets realised or loans repaid	(47)	(15)	(113)	(175)
Write offs	(3)	(50)	(29)	(82)
Total impaired assets	86	31	214	331
Other assets under administration	10	3	-	13
Undrawn facilities with impaired customers	-	-	12	12
Audited 30/09/2016				
Balance at beginning of the year	119	32	253	404
Transfers from productive	76	129	395	600
Transfers to productive	(40)	(8)	(7)	(55)
Assets realised or loans repaid	(85)	(31)	(244)	(360)
Write offs	(6)	(95)	(55)	(156)
Total impaired assets	64	27	342	433
Other assets under administration	11	2	-	13
Undrawn facilities with impaired customers	-	1	57	58

Credit quality of financial assets that are past due but not impaired

A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the fair value of associated security should be sufficient to ensure that ANZ New Zealand will recover the entire amount owing over the life of the facility and there is reasonable assurance that collection efforts will result in payment of the amounts due in a timely manner.

Ageing analysis of loans that are past due but not impaired

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/03/2017				
1 to 5 days	393	114	803	1,310
6 to 29 days	201	80	74	355
1 to 29 days	594	194	877	1,665
30 to 59 days	170	37	44	251
60 to 89 days	107	19	18	144
90 days or over	132	32	17	181
	1,003	282	956	2,241

NOTES TO THE FINANCIAL STATEMENTS

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	Unaudited	Audited	Unaudited	Unaudited	Audited
	31/03/2017	31/03/2016	30/09/2016	31/03/2017	31/03/2016	30/09/2016
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Securities sold under agreements to repurchase	425	140	77	425	140	76
Residential mortgages pledged as security for covered bonds	11,035	10,065	10,265	5,011	4,961	6,218
Assets pledged as collateral for UDC secured investments	2,803	2,571	2,665	1,303	1,737	1,592

UDC Secured Investments are secured by a security interest granted under the Trust Deed over all of UDC's 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	Unaudited	Audited
		31/03/2017	31/03/2016	30/09/2016
		NZ\$m	NZ\$m	NZ\$m
Term deposits		44,013	37,574	39,665
On demand and short term deposits		42,375	43,569	42,323
Deposits not bearing interest		8,568	7,268	7,780
UDC secured investments	7	1,303	1,737	1,592
Total customer deposits		96,259	90,148	91,360
Certificates of deposit		1,011	1,859	2,237
Commercial paper		2,949	5,451	5,364
Deposits from banks and securities sold under agreements to repurchase		750	140	76
Borrowings from Ultimate Parent Bank and Immediate Parent Company		7,390	8,228	7,871
Deposits and other borrowings (including liabilities classified as held for sale)		108,359	105,826	106,908
Less: UDC secured investments held for sale	19	(1,303)	-	-
Deposits and other borrowings		107,056	105,826	106,908

9. DEBT ISSUANCES

	Unaudited	Unaudited	Audited
	31/03/2017	31/03/2016	30/09/2016
	NZ\$m	NZ\$m	NZ\$m
Domestic bonds	4,025	4,000	3,975
U.S. medium term notes ¹	8,586	5,944	6,883
Euro medium term notes ¹	3,064	2,535	2,792
Covered bonds ¹	5,011	4,961	6,218
Index linked notes	-	36	-
Total debt issuances	20,686	17,476	19,868
Fair value hedge adjustment	(51)	206	192
Less debt issuances held by the Bank	(34)	(135)	(46)
Total debt issuances	20,601	17,547	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.

NOTES TO THE FINANCIAL STATEMENTS

10. SUBORDINATED DEBT

	Unaudited 31/03/2017	Unaudited 31/03/2016	Audited 30/09/2016
	NZ\$m	NZ\$m	NZ\$m
ANZ Capital Notes¹			
AUD 970m ANZ Capital Notes 3 (ANZ CN3) ²	1,050	1,063	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	11	11	10
Dated subordinated debt			
AUD 265m subordinated floating rate loan	290	294	278
Total subordinated debt	2,682	2,698	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.

Subordinated debt is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the relevant issuer or drawer of the debt.

ANZ Capital Notes

- On 5 March 2015, the NZ Branch issued 9.7 million convertible notes (ANZ CN3) at A\$100 each, raising A\$970 million before issue costs.
- On 31 March 2015, the Bank issued 500 million convertible notes (ANZ NZ CN) at NZ\$1 each, raising NZ\$500 million before issue costs.

ANZ Capital Notes (the notes) are fully paid mandatorily convertible non-cumulative perpetual subordinated notes.

As at 31 March 2017 ANZ NZ CN carried a BBB- credit rating from Standard and Poor's.

The notes are classified as debt given there are circumstances beyond ANZ New Zealand's control where the principal is converted into a variable number of shares of the Ultimate Parent Bank.

Distributions and interest

Distributions on ANZ CN3 and interest on ANZ NZ CN are recorded as interest expense in the statement of comprehensive income. Distributions and interest on the notes are non-cumulative and payable as follows:

- ANZ CN3: payable semi-annually in arrears in March and September in each year and will be franked in line with the franking applied to ordinary shares of the Ultimate Parent Bank. The distributions are based on a floating rate equal to the aggregate of the Australian 6 month bank bill rate plus a 360 basis point margin, multiplied by one minus the Australian company tax rate. Should the distribution not be fully-franked, the terms of the notes provide for a cash gross-up for the amount of the franking benefit not provided.
- ANZ NZ CN: payable quarterly in arrears in February, May, August and November in each year. The interest rate is fixed at 7.2% per annum until 25 May 2020, and thereafter will be based on a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus a 350 basis point margin.

Distributions and interest payments are subject to the Ultimate Parent Bank's (ANZ CN3) and the Bank's (ANZ NZ CN) absolute discretion and certain payment conditions being satisfied (including APRA and RBNZ (ANZ NZ CN only) requirements). If distributions or interest are not paid on the notes, the Ultimate Parent Bank (ANZ CN3) or the Bank (ANZ NZ CN) may not, except in limited circumstances, pay dividends or undertake a share buy-back or other capital reduction on its ordinary shares until the distributions or interest are next paid.

Conversion features

On 24 March 2025 (ANZ CN3) or 25 May 2022 (ANZ NZ CN) or an earlier date under certain circumstances, the relevant notes will mandatorily convert into a variable number of ordinary shares of the Ultimate Parent Bank based on the average market price of the Ultimate Parent Bank's ordinary shares over a specified period prior to conversion less a 1% discount.

The mandatory conversion will be deferred for a specified period if the conversion tests are not met.

If a common equity capital trigger event, an APRA non-viability trigger event or an RBNZ non-viability trigger event (ANZ NZ CN only) occurs, some or all of the notes will be required to be immediately converted into ordinary shares of the Ultimate Parent Bank, subject to a maximum conversion number.

A common equity capital trigger event occurs if the:

- Overseas Banking Group's Level 1 (ANZ CN3 only) or Level 2 common equity tier 1 capital ratio is equal to or less than 5.125% or
- Banking Group's common equity tier 1 capital ratio is equal to or less than 5.125% (ANZ NZ CN only).

An APRA non-viability trigger event occurs if APRA notifies the Ultimate Parent Bank that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Ultimate Parent Bank would become non-viable. An RBNZ non-viability trigger event occurs if the RBNZ directs the Bank to convert or write off the notes or a statutory manager is appointed to the Bank and decides the Bank must convert or write off the notes.

NOTES TO THE FINANCIAL STATEMENTS

On 25 May 2020 the Bank has the right, subject to satisfying certain conditions, to redeem (subject to receiving RBNZ's and APRA's prior approval), or to convert into ordinary shares of the Ultimate Parent Bank, all or some of the ANZ NZ CN at its discretion on similar terms as mandatory conversion.

On 24 March 2023 the Ultimate Parent Bank has the right, subject to receiving APRA's prior approval and satisfying certain conditions, to redeem, or to convert into ordinary shares of the Ultimate Parent Bank, all or some of the ANZ CN3 at its discretion on similar terms as mandatory conversion.

Rights of holders in event of liquidation

In a liquidation of the Ultimate Parent Bank, ANZ CN3 rank equally with other additional tier 1 capital instruments issued by the Ultimate Parent Bank. In a liquidation of the Bank, ANZ NZ CN rank equally with the Bank's other additional tier 1 capital instruments, including preference shares, and lower than the Bank's perpetual subordinated debt. Holders of the notes do not have any right to vote in general meetings of the Ultimate Parent Bank or the Bank.

Perpetual subordinated debt

Perpetual subordinated debt instruments are classified as debt reflecting an assessment of the key terms and conditions of the instruments, and an assessment of the ability, and likelihood of interest payments being deferred. Certain of these instruments have interrelationships that have been considered in this assessment.

NZD 835,000,000 bond

This bond was issued by the Bank on 18 April 2008.

The Bank may elect to redeem the bond on 18 April 2018 (the Call Date) or any interest payment date subsequent to 18 April 2018. Interest is payable semi-annually in arrears on 18 April and 18 October each year, up to and including the

Call Date and then quarterly thereafter. Should the bond not be called at the Call Date, the Coupon Rate from the Call Date onwards will be based on a floating rate equal to the aggregate of the 3 month bank bill rate plus a 300 basis point margin.

As at 31 March 2017, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond is 5.28% per annum until 18 April 2018.

AUD 10,000,000 loan

This loan was drawn down by the Bank on 27 March 2013 and has no fixed maturity. Interest is payable semi-annually in arrears on 15 March and 15 September each year. The Bank may repay the loan on any interest payment date after the NZD 835,000,000 bond has been repaid in full.

Coupon interest is based on a floating rate equal to the aggregate of the Australian 6 month bank bill rate plus a 240 basis point margin, increasing to the Australian 6 month bank bill rate plus a 440 basis point margin from 15 September 2018.

Dated subordinated debt

AUD 265,017,668 loan

This loan was drawn down by ANZ Holdings (New Zealand) Limited on 25 September 2013. The loan matures on 1 September 2023, but ANZ Holdings (New Zealand) Limited may elect to repay the loan on any interest payment date from 1 September 2018. Interest is payable semi-annually in arrears on 1 March and 1 September in each year and is based on a floating rate equal to the aggregate of the Australian 6 month bank bill rate plus a 260 basis point margin.

11. RELATED PARTY BALANCES

	Unaudited	Unaudited	Audited
	31/03/2017	31/03/2016	30/09/2016
	NZ\$m	NZ\$m	NZ\$m
Total due from related parties	3,840	5,368	4,903
Total due to related parties	11,647	13,945	13,614

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

Basel III capital ratios

Unaudited	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	31/03/2017	31/03/2016	30/09/2016	31/03/2017	31/03/2016	30/09/2016
Common equity tier 1 capital	10.1%	9.8%	9.6%	10.2%	10.2%	9.7%
Tier 1 capital	12.1%	11.6%	11.8%	12.3%	12.2%	12.1%
Total capital	14.5%	13.7%	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 31 March 2017 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2017. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 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 31/03/2017	Implied risk weighted exposure	Notional capital charge
	NZ\$m	NZ\$m
Interest rate risk	5,125	410
Foreign currency risk	70	6
Equity risk	1	-
	5,196	416

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	31/03/2017		Total NZ\$m
	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	
LVR range			
Does not exceed 60%	32,632	5,145	37,777
Exceeds 60% and not 70%	16,186	1,422	17,608
Exceeds 70% and not 80%	18,243	1,422	19,665
Does not exceed 80%	67,061	7,989	75,050
Exceeds 80% and not 90%	3,675	166	3,841
Exceeds 90%	1,729	195	1,924
Total	72,465	8,350	80,815

Reconciliation of mortgage related amounts

Unaudited	Note	31/03/2017
		NZ\$m
Term loans - housing	4	75,030
Less: fair value hedging adjustment		(54)
Less: housing loans made to corporate customers		(2,511)
On-balance sheet retail mortgage exposures	12	72,465
Add: off-balance sheet retail mortgage exposures		8,350
Total retail mortgage exposures as per LVR analysis	12	80,815

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL RISK MANAGEMENT

Concentrations of credit risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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 as required by the Order.

The presentation of these tables has changed from previous periods to align this disclosure with the classifications in the new data series *S34 – Banks: Assets – Loans by industry* published by the RBNZ. This series uses ANZSIC 2006 industry classifications rather than ANZSIC 1996 that were previously used. Updated corresponding amounts as at 30 September 2016 have been provided for comparative purposes. The most significant changes to the 30 September 2016 amounts from the previous presentation are:

- 1) Industry classification is now shown separately for New Zealand residents and non-New Zealand residents
- 2) The reduction in exposures to households, previously described as personal lending, is due to the reclassification of loans secured by rental properties to the relevant customer's industry, of which the majority are now included in rental, hiring and real estate services.

Unaudited 31/03/2017	Cash, settlements receivable and collateral paid NZ\$m	Trading securities and available-for- sale assets NZ\$m	Derivative financial instruments NZ\$m	Net loans and advances ³ NZ\$m	Other financial assets NZ\$m	Credit related commitments ⁴ NZ\$m	Total NZ\$m
New Zealand residents							
Agriculture	-	-	25	17,566	58	1,699	19,348
Forestry and fishing, agriculture services	-	-	1	1,308	4	235	1,548
Manufacturing	-	3	187	3,016	10	2,090	5,306
Electricity, gas, water and waste services	-	41	442	1,623	5	1,244	3,355
Construction	-	-	3	1,462	5	968	2,438
Wholesale trade	-	-	40	1,673	6	1,437	3,156
Retail trade and accommodation	-	1	16	2,961	10	1,080	4,068
Transport, postal and warehousing	-	15	59	1,445	5	1,138	2,662
Finance and insurance services	2,182	2,199	935	1,249	290	1,044	7,899
Public administration and safety ¹	-	6,653	563	368	5	723	8,312
Rental, hiring & real estate services	-	-	108	30,649	101	3,670	34,528
Professional, scientific, technical, administrative and support services	-	-	5	1,188	4	601	1,798
Households	-	-	-	53,689	177	11,583	65,449
All other New Zealand residents ²	-	2	147	2,561	9	1,806	4,525
	2,182	8,914	2,531	120,758	689	29,318	164,392
Overseas							
Finance and insurance services	1,825	4,939	11,440	73	-	-	18,277
Households	-	-	-	1,508	5	-	1,513
All other non-NZ residents	-	716	107	1,107	4	162	2,096
	1,825	5,655	11,547	2,688	9	162	21,886
Less: Provision for credit impairment	-	-	-	(544)	-	(78)	(622)
Less: Unearned income	-	-	-	(219)	-	-	(219)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	349	-	-	349
Total financial assets	4,007	14,569	14,078	123,032	698	29,402	185,786

NOTES TO THE FINANCIAL STATEMENTS

Audited 30/09/2016	Cash, settlements receivable and collateral paid	Trading securities and available-for- sale assets	Derivative financial instruments	Net loans and advances ³	Other financial assets	Credit related commitments ⁴	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
New Zealand residents							
Agriculture	-	-	23	17,779	58	1,366	19,226
Forestry and fishing, agriculture services	-	-	21	1,231	4	242	1,498
Manufacturing	-	12	185	3,556	12	2,012	5,777
Electricity, gas, water and waste services	-	21	642	1,298	4	1,255	3,220
Construction	-	-	17	1,584	5	1,030	2,636
Wholesale trade	-	-	23	1,645	5	1,596	3,269
Retail trade and accommodation	-	-	63	3,071	10	1,110	4,254
Transport, postal and warehousing	-	5	91	1,380	5	924	2,405
Finance and insurance services	2,931	2,569	1,011	807	281	1,135	8,734
Public administration and safety ¹	-	7,028	1,049	352	5	750	9,184
Rental, hiring & real estate services	-	-	75	29,439	96	3,562	33,172
Professional, scientific, technical, administrative and support services	-	-	9	1,173	4	734	1,920
Households	-	-	-	52,514	172	11,486	64,172
All other New Zealand residents ²	-	46	244	2,555	8	2,122	4,975
	2,931	9,681	3,453	118,384	669	29,324	164,442
Overseas							
Finance and insurance services	1,856	4,703	17,504	95	-	-	24,158
Households	-	-	-	1,444	5	-	1,449
All other non-NZ residents	-	454	12	1,205	4	183	1,858
	1,856	5,157	17,516	2,744	9	183	27,465
Less: Provision for credit impairment	-	-	-	(528)	-	(104)	(632)
Less: Unearned income	-	-	-	(211)	-	-	(211)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	366	-	-	366
Total financial assets	4,787	14,838	20,969	120,755	678	29,403	191,430

¹ Public administration and safety includes exposures to local government administration and central government administration, defence and public safety.

² Other includes exposures to mining, information media and telecommunications, education and training, health care and social assistance and arts, recreation and other services.

³ Excludes individual and collective provisions for credit impairment held in respect of credit related commitments.

⁴ Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

NOTES TO THE FINANCIAL STATEMENTS

Interest rate sensitivity gap

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

Unaudited 31/03/2017	Total NZ\$m	Up to 3 months NZ\$m	Over 3 to 6 months NZ\$m	Over 6 to 12 months NZ\$m	Over 1 to 2 years NZ\$m	Over 2 years NZ\$m	Not bearing interest NZ\$m
Assets							
Cash	1,894	1,687	-	-	-	-	207
Settlement balances receivable	678	51	-	-	-	-	627
Collateral paid	1,642	1,642	-	-	-	-	-
Trading securities	10,840	1,637	150	1,550	2,932	4,571	-
Derivative financial instruments	14,078	-	-	-	-	-	14,078
Available-for-sale assets	3,729	646	187	451	539	1,905	1
Net loans and advances ¹	122,954	63,262	10,256	16,579	22,541	10,765	(449)
Other financial assets ¹	698	62	40	26	15	2	553
Total financial assets	156,513	68,987	10,633	18,606	26,027	17,243	15,017
Liabilities							
Settlement balances payable	1,579	499	-	-	-	-	1,080
Collateral received	401	401	-	-	-	-	-
Deposits and other borrowings ¹	108,359	75,902	10,535	9,074	2,164	2,116	8,568
Derivative financial instruments	14,631	-	-	-	-	-	14,631
Debt issuances	20,601	3,373	400	2,748	2,851	11,229	-
Subordinated debt	2,682	-	1,340	-	846	496	-
Payables and other liabilities ¹	767	90	-	-	1	200	476
Total financial liabilities	149,020	80,265	12,275	11,822	5,862	14,041	24,755
Hedging instruments	-	20,849	(12,370)	9,591	(17,571)	(499)	-
Interest sensitivity gap	7,493	9,571	(14,012)	16,375	2,594	2,703	(9,738)

¹ Includes UDC items classified as held for sale.

Liquidity portfolio

ANZ New Zealand holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of ANZ New Zealand's liquidity portfolio is based on the amount required to meet 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	31/03/2017 NZ\$m
Cash and balances with central banks	1,616
Certificates of deposit	528
Government, local body stock and bonds	5,834
Government treasury bills	502
Reserve Bank bills	240
Other bonds	7,042
Total liquidity portfolio	15,762

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\$7,709 million at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

Funding composition

ANZ New Zealand actively uses balance sheet disciplines to prudently manage the funding mix. ANZ New Zealand 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.

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC).

The presentation of these tables has changed from previous periods to align this disclosure with the classifications in the new data series *S41 – Banks: Liabilities – Deposits by industry* published by the RBNZ. This series uses ANZSIC 2006 industry classifications rather than ANZSIC 1996 that were previously used. Updated corresponding amounts as at 30 September 2016 have been provided for comparative purposes.

	Note	Unaudited 31/03/2017 NZ\$m	Audited 30/09/2016 NZ\$m
Funding composition			
Customer deposits	8	96,259	91,360
<i>Wholesale funding</i>			
Debt issuances		20,601	20,014
Subordinated debt		2,682	2,624
Certificates of deposit		1,011	2,237
Commercial paper		2,949	5,364
Other borrowings		8,140	7,947
Total wholesale funding		35,383	38,186
Total funding		131,642	129,546
Customer deposits by industry - New Zealand residents			
Agriculture, forestry and fishing		3,726	3,334
Manufacturing		2,016	1,978
Construction		1,446	1,598
Wholesale trade		1,371	1,284
Retail trade and accommodation		1,550	1,328
Financial and insurance services		8,748	8,918
Rental, hiring and real estate services		2,519	2,321
Professional, scientific, technical, administrative and support services		5,790	4,958
Public administration and safety		1,245	1,258
Arts, recreation and other services		1,984	1,833
Households		51,613	49,492
All other New Zealand residents ¹		4,093	3,040
		86,101	81,342
Customer deposits by industry - overseas			
Households		9,402	8,948
All other non-NZ residents		756	1,070
		10,158	10,018
Total customer deposits		96,259	91,360
Wholesale funding (financial and insurance services industry)			
New Zealand		6,959	7,110
Overseas		28,424	31,076
Total wholesale funding		35,383	38,186
Total funding		131,642	129,546
Concentrations of funding by geography			
New Zealand		93,060	88,452
Australia		9,584	10,163
United States		12,347	12,215
Europe		9,341	11,448
Other countries		7,310	7,268
Total funding		131,642	129,546

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

NOTES TO THE FINANCIAL STATEMENTS

Contractual maturity analysis of financial assets and liabilities

The following tables present ANZ New Zealand's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which ANZ New Zealand may be required to realise an asset or settle a liability. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows and may differ to the amounts reported on the balance sheet.

The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which ANZ New Zealand can be called upon to pay. The liquidity risk of credit related commitments and contingent liabilities may be less than the contract amount, and does not necessarily represent future cash requirements as many of these facilities are expected to be only partially used or to expire unused.

ANZ New Zealand does not manage its liquidity risk on this basis.

Unaudited 31/03/2017	Total NZ\$m	At call NZ\$m	Up to 3 months NZ\$m	Over 3 to 12 months NZ\$m	Over 1 to 5 years NZ\$m	Over 5 years NZ\$m	No maturity specified NZ\$m
Financial assets							
Cash	1,894	1,496	398	-	-	-	-
Settlement balances receivable	678	98	580	-	-	-	-
Collateral paid	1,642	-	1,642	-	-	-	-
Trading securities	11,591	-	1,044	2,146	7,934	467	-
Derivative financial assets (trading)	13,062	-	13,062	-	-	-	-
Available-for-sale assets	3,989	-	204	975	2,360	449	1
Net loans and advances ¹	162,121	139	16,548	17,552	54,719	73,163	-
Other financial assets ¹	297	-	214	66	17	-	-
Total financial assets	195,274	1,733	33,692	20,739	65,030	74,079	1
Financial liabilities							
Settlement balances payable	1,579	987	592	-	-	-	-
Collateral received	401	-	401	-	-	-	-
Deposits and other borrowings ¹	110,557	51,187	26,855	24,495	6,891	1,129	-
Derivative financial liabilities (trading)	12,175	-	12,175	-	-	-	-
Debt issuances	21,844	-	1,102	3,836	14,525	2,381	-
Subordinated debt	3,219	-	23	43	1,569	1,584	-
Other financial liabilities ¹	447	-	139	11	205	92	-
Total financial liabilities	150,222	52,174	41,287	28,385	23,190	5,186	-
Derivative financial instruments used for balance sheet management							
- gross inflows	20,364	-	1,349	4,856	11,127	3,032	-
- gross outflows	(21,072)	-	(1,438)	(5,228)	(11,471)	(2,935)	-
Net financial assets / (liabilities) after balance sheet management	44,344	(50,441)	(7,684)	(8,018)	41,496	68,990	1

¹ Includes UDC items classified as held for sale.

Contractual maturity of off-balance sheet commitments and contingent liabilities

Unaudited 31/03/2017	Total NZ\$m	Less than 1 year NZ\$m	Beyond 1 year NZ\$m
Non-credit related commitments	499	87	412
Credit related commitments	27,161	27,161	-
Contingent liabilities	2,319	2,319	-
Total	29,979	29,567	412

NOTES TO THE FINANCIAL STATEMENTS

14. 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 value 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 31/03/2017		Unaudited 31/03/2016		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}	122,954	123,026	117,470	118,018	120,651	120,931
Liabilities						
Deposits and other borrowings ^{2,3}	108,359	108,439	105,826	106,021	106,908	107,106
Debt issuances ¹	20,601	20,780	17,547	17,656	20,014	20,148
Subordinated debt	2,682	2,725	2,698	2,614	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.

Valuation hierarchy

	Unaudited 31/03/2017				Unaudited 31/03/2016				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	9,994	846	-	10,840	12,364	135	-	12,499	11,937	42	-	11,979
Derivative financial instruments	16	14,057	5	14,078	14	21,082	6	21,102	3	20,959	7	20,969
Available-for-sale assets	3,634	94	1	3,729	1,885	358	2	2,245	1,671	1,187	1	2,859
Investments backing insurance contract liabilities	5	140	-	145	-	189	-	189	5	114	-	119
Total financial assets held at fair value	13,649	15,137	6	28,792	14,263	21,764	8	36,035	13,616	22,302	8	35,926
Financial liabilities												
Deposits and other borrowings	-	2,949	-	2,949	-	5,451	-	5,451	-	5,364	-	5,364
Derivative financial instruments	20	14,609	2	14,631	47	22,501	-	22,548	46	22,350	2	22,398
Payables and other liabilities	249	-	-	249	760	-	-	760	157	-	-	157
Total financial liabilities held at fair value	269	17,558	2	17,829	807	27,952	-	28,759	203	27,714	2	27,919

NOTES TO THE FINANCIAL STATEMENTS

15. 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.

For the three months ended 31 March 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.

16. 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\$907 million (31/03/2016: NZ\$943 million; 30/09/2016 NZ\$926 million), which is 0.6% (31/03/2016: 0.6%; 30/09/2016 0.6%) of the total consolidated assets of ANZ New Zealand.

17. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Unaudited 31/03/2017 NZ\$m	Unaudited 31/03/2016 NZ\$m	Audited 30/09/2016 NZ\$m
Contract amount of:			
Credit related commitments - facilities provided			
Undrawn facilities ¹	27,161	27,516	27,046
Guarantees and contingent liabilities			
Guarantees and letters of credit	860	818	850
Performance related contingencies	1,459	1,614	1,611
Total guarantees and contingent liabilities	2,319	2,432	2,461
Total Credit Related Commitments, Guarantees and Contingent Liabilities	29,480	29,948	29,507

¹ The comparative amount for undrawn facilities as at 31 March 2016 has been reduced by NZ\$5,368 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.

NOTES TO THE FINANCIAL STATEMENTS

18. ADDITIONAL DISCLOSURES

NZ Branch Funding

Unaudited	31/03/2017
	NZ\$m
Total liabilities of the NZ Branch less amounts due to related parties	1,090

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 year 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

Unaudited	31/03/2017
	AUDm
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

19. 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 31 March 2017.

The sale is subject to closing steps and conditions including engaging with investors on the replacement of the Secured Investment programme and 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 six months ended 31 March 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 31 May 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



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of Australia and New Zealand Banking Group Limited

We have reviewed pages 3 to 23 of the half year disclosure statement of Australia and New Zealand Banking Group Limited – New Zealand Branch and its related entities (ANZ New Zealand) which includes interim financial statements prepared and disclosed in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order) and supplementary information prescribed in schedules 3, 5, 7, 9, 10, 12 and 14 of the Order. The interim financial statements and supplementary information provide information about the past financial performance and cash flows of ANZ New Zealand for the six month period ended 31 March 2017 and its financial position as at 31 March 2017.

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

Directors' responsibilities

The directors of Australia and New Zealand Banking Group Limited are responsible for the preparation and presentation of the half year disclosure statement, which includes interim financial statements prepared in accordance with Clause 26 of the Order, NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, which present fairly, in all material respects, the financial position of ANZ New Zealand as at 31 March 2017 and its financial performance and cash flows for the six month period ended on that date. The directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the half year disclosure statement that is free from material misstatement whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the half year disclosure statement which fairly states the matters to which it relates in accordance with schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Our responsibilities

Our responsibility is to express an independent review opinion on the half year disclosure statement, which includes the interim financial statements disclosed in accordance with Clause 26 of the Order, and supplementary information disclosed in accordance with schedules 5, 7, 9, 10, 12 and 14 of the Order, as presented to us by the directors, and report our opinion to you.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and do not present fairly, in all material respects, the financial position of ANZ New Zealand as at 31 March 2017 and its financial performance and cash flows for the six month period ended on that date.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with schedules 5, 7, 10, 12 and 14 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the information disclosed in accordance with schedule 9 is not, in all material respects, prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with schedule 9 of the Order.

Basis of opinion

We have performed our review in accordance with the review engagement standard NZ Standard on Review Engagements 2410, *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410) issued by the External Reporting Board. As the auditor of ANZ New Zealand, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review is limited primarily to enquiries of ANZ New Zealand's personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those interim financial statements.

Our firm has also provided other services to ANZ New Zealand in relation to review and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with ANZ New Zealand on normal terms within the ordinary course of trading activities of the business of ANZ New Zealand. These matters have not impaired our independence as auditors of ANZ New Zealand for this engagement. The firm has no other relationship with, or interest in, ANZ New Zealand.

Review opinion

We have examined the interim financial statements and supplementary information and based on our review nothing has come to our attention that causes us to believe that:

- a) the interim financial statements on pages 3 to 23 (excluding the supplementary information disclosed in accordance with schedules 5, 7, 10, 12 and 14 of the Order) have not been prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and do not present fairly, in all material respects, the financial position of ANZ New Zealand as at 31 March 2017 and its financial performance and cash flows for the six month period ended on that date
- b) the supplementary information (excluding supplementary information relating to capital adequacy) disclosed in accordance with schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those schedules
- c) the supplementary information relating to capital adequacy disclosed in accordance with schedule 9 of the Order is not, in all material respects, prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with schedule 9 of the Order.

Our review was completed on 31 May 2017 and our opinion is expressed as at that date.

Wellington

