

**ANZ BANK NEW ZEALAND LIMITED
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 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 Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group'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 (New Zealand 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 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 Bank's credit rating from Aa3 to A1 and changed the outlook from Negative to Stable.

The Bank's credit ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Negative
Moody's Investors Service	A1	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Guarantors

No material obligations of the Bank are guaranteed as at 11 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.

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.

Auditor

The Banking Group'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		4,620	4,837	6,423
Interest expense		2,352	2,590	3,421
Net interest income		2,268	2,247	3,002
Net trading gains		174	44	12
Net funds management and insurance income		238	325	414
Other operating income	2	239	318	421
Share of associates' profit		5	2	5
Operating income		2,924	2,936	3,854
Operating expenses		1,101	1,197	1,599
Profit before credit impairment and income tax		1,823	1,739	2,255
Credit impairment charge	5	53	105	150
Profit before income tax		1,770	1,634	2,105
Income tax expense		496	449	570
Profit after income tax		1,274	1,185	1,535

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	1,274	1,185	1,535
<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	1,282	1,240	1,620

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	1,836	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		15,429	21,505	21,110
Current tax assets		141	135	-
Available-for-sale assets		4,818	2,831	2,859
Net loans and advances	4	116,454	113,107	114,623
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	17	2,956	-	-
Total assets		159,407	160,332	160,819
Interest earning and discount bearing assets		138,835	133,307	134,489
Liabilities				
Settlement balances payable		1,709	1,764	1,771
Collateral received		549	761	529
Deposits and other borrowings	8	102,091	99,941	99,066
Derivative financial instruments		16,619	22,674	21,956
Current tax liabilities		-	-	21
Deferred tax liabilities		167	155	145
Payables and other liabilities		1,121	1,571	1,119
Provisions		196	190	206
Debt issuances	9	19,320	17,108	20,014
Subordinated debt	10	3,283	3,282	3,282
UDC liabilities held for sale	17	1,150	-	-
Total liabilities		146,205	147,446	148,109
Net assets		13,202	12,886	12,710
Equity				
Share capital		8,888	8,888	8,888
Reserves		56	49	62
Retained earnings		4,258	3,949	3,760
Total equity		13,202	12,886	12,710
Interest and discount bearing liabilities		118,509	114,532	115,961

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	4,649	4,839	6,443
Interest paid	(2,301)	(2,573)	(3,416)
Other cash inflows provided by operating activities	689	733	976
Other cash outflows used in operating activities	(1,617)	(1,712)	(2,143)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	1,420	1,287	1,860
Net changes in operating assets and liabilities	(140)	(1,606)	(4,434)
Net cash flows provided by / (used in) operating activities	1,280	(319)	(2,574)
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	4,845	8,318
Cash outflows used in financing activities	(4,289)	(5,087)	(5,840)
Net cash flows provided by / (used in) financing activities	(1,346)	(242)	2,478
Net decrease in cash and cash equivalents	(107)	(592)	(156)
Cash and cash equivalents at beginning of the period	2,315	2,471	2,471
Cash and cash equivalents at end of the period	2,208	1,879	2,315

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ\$m	Available- for-sale revaluation reserve NZ\$m	Cash flow hedging reserve NZ\$m	Retained earnings NZ\$m	Total equity NZ\$m
As at 1 October 2015 (Audited)	8,888	-	(10)	3,575	12,453
Profit after income tax	-	-	-	1,185	1,185
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	1,181	1,240
Ordinary dividend paid	-	-	-	(800)	(800)
Preference dividend paid	-	-	-	(7)	(7)
As at 30 June 2016 (Unaudited)	8,888	-	49	3,949	12,886
As at 1 October 2015 (Audited)	8,888	-	(10)	3,575	12,453
Profit after income tax	-	-	-	1,535	1,535
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	1,548	1,620
Ordinary dividend paid	-	-	-	(1,350)	(1,350)
Preference dividend paid	-	-	-	(13)	(13)
As at 30 September 2016 (Audited)	8,888	-	62	3,760	12,710
Profit after income tax	-	-	-	1,274	1,274
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)	1,288	1,282
Ordinary dividend paid	-	-	-	(785)	(785)
Preference dividend paid	-	-	-	(5)	(5)
As at 30 June 2017 (Unaudited)	8,888	7	49	4,258	13,202

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Reporting entity and statement of compliance

These interim financial statements are for the Banking Group 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. The Banking Group 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 the Banking Group'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 the Banking Group 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 financial statements consolidate the financial statements of the Bank and its subsidiaries.

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	305	316	422
Net fair value loss on hedging activities and other fair value adjustments	(90)	(28)	(42)
Gain / (loss) on sale of mortgages to NZ Branch	(1)	1	1
Other income	25	29	40
Total other operating income	239	318	421

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT ANALYSIS

The Banking Group 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 the Banking Group'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	1,978	1,336	469	(859)	2,924
Intersegment revenues	(202)	(651)	43	810	-
Total revenues	1,776	685	512	(49)	2,924
Profit / (loss) after income tax	718	328	280	(52)	1,274
Unaudited 9 months to 30/06/2016					
External revenues	1,874	1,427	369	(734)	2,936
Intersegment revenues	(126)	(742)	13	855	-
Total revenues	1,748	685	382	121	2,936
Profit after income tax	682	327	158	18	1,185
Audited year to 30/09/2016					
External revenues	2,543	1,890	453	(1,032)	3,854
Intersegment revenues	(198)	(980)	19	1,159	-
Total revenues	2,345	910	472	127	3,854
Profit after income tax	904	417	196	18	1,535

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	(65)	(20)	(29)
Revaluation of insurance policies from changes in interest rates	(25)	45	42
Other	35	(18)	2
Total	(52)	18	18

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		71,444	65,641	67,298
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		119,736	113,542	115,069
Less: Provision for credit impairment	5	(585)	(618)	(622)
Less: Unearned income		(219)	(212)	(211)
Add: Capitalised brokerage/mortgage origination fees		344	356	360
Add: Customer liability for acceptances		21	39	27
Net loans and advances (including assets classified as held for sale)		119,297	113,107	114,623
Less: UDC net loans and advances held for sale	17	(2,843)	-	-
Net loans and advances		116,454	113,107	114,623

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$4,805 million as at 30 June 2017 (30/06/2016 NZ\$6,630 million, 30/09/2016 NZ\$6,020 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. PROVISION FOR CREDIT IMPAIRMENT

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 30/06/2017				
Collective provision	78	123	228	429
Individual provision	26	6	124	156
Total provision for credit impairment	104	129	352	585
Collective credit impairment release	-	(7)	(35)	(42)
Individual credit impairment charge / (release)	(9)	47	57	95
Credit impairment charge / (release)	(9)	40	22	53
Unaudited 30/06/2016				
Collective provision	77	131	261	469
Individual provision	41	6	102	149
Total provision for credit impairment	118	137	363	618
Collective credit impairment charge	-	4	8	12
Individual credit impairment charge / (release)	(9)	53	49	93
Credit impairment charge / (release)	(9)	57	57	105
Audited 30/09/2016				
Collective provision	78	130	263	471
Individual provision	37	6	108	151
Total provision for credit impairment	115	136	371	622
Collective credit impairment charge	1	3	10	14
Individual credit impairment charge / (release)	(12)	70	78	136
Credit impairment charge / (release)	(11)	73	88	150

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	37	20	368	425
Loans that are at least 90 days past due but not impaired	129	32	14	175
Unaudited 30/06/2016				
Total impaired assets	66	30	264	360
Loans that are at least 90 days past due but not impaired	98	31	49	178
Audited 30/09/2016				
Total impaired assets	57	27	342	426
Loans that are at least 90 days past due but not impaired	81	26	23	130

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.

The Banking Group 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 from Ultimate Parent Bank and other members of ANZ New Zealand		86	17	29
Deposits and other borrowings (including liabilities classified as held for sale)		103,212	99,941	99,066
Less: UDC secured investments held for sale	17	(1,121)	-	-
Deposits and other borrowings		102,091	99,941	99,066

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 the Banking Group.

10. SUBORDINATED DEBT

	Unaudited 30/06/2017 NZ\$m	Unaudited 30/06/2016 NZ\$m	Audited 30/09/2016 NZ\$m
ANZ Capital Notes¹			
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN) ²	496	495	496
NZD 1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)	1,003	1,003	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)	938	938	938
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond ³	835	835	835
AUD 10m perpetual subordinated floating rate loan	11	11	10
Total subordinated debt	3,283	3,282	3,282

¹ These instruments qualify as additional tier 1 capital.

² 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+.

³ These instruments are quoted on the NZX Debt Market, and qualify as tier 2 capital, subject to the RBNZ's Basel III transition adjustment. 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	5,082	5,200	4,929
Total due to related parties	7,020	7,229	7,154

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

RBNZ Basel III capital ratios

Unaudited	RBNZ minimum ratios	Banking Group		
		30/06/2017	30/06/2016	30/09/2016
Common equity tier 1 capital	4.5%	10.7%	10.4%	10.0%
Tier 1 capital	6.0%	13.9%	13.7%	13.2%
Total capital	8.0%	14.2%	14.2%	13.7%
Buffer ratio	2.5%	6.2%	5.9%	5.5%

Capital of the Banking Group

	Unaudited 30/06/2017 NZ\$m
Common equity tier 1 capital before deductions	12,902
Less deductions from common equity tier 1 capital	(3,756)
Common equity tier 1 capital	9,146
Additional tier 1 capital	2,777
Total tier 1 capital	11,923
Tier 2 capital	234
Total capital	12,157

Capital requirements of the Banking Group

Unaudited 30/06/2017	Exposure at default	Risk weighted exposure or implied risk weighted exposure ¹	Total capital requirement
	NZ\$m	NZ\$m	NZ\$m
Corporate exposures	49,643	29,838	2,387
Sovereign exposures	11,377	128	10
Bank exposures	11,642	3,413	273
Retail mortgage exposures	77,765	16,913	1,353
Other retail exposures	10,851	8,634	691
Exposures subject to internal ratings based approach	161,278	58,926	4,714
Specialised lending exposures subject to slotting approach	11,777	10,697	856
Exposures subject to standardised approach	2,249	476	37
Equity exposures	8	32	3
Other exposures	3,535	1,686	135
Agri business supervisory adjustment	n/a	1,372	110
Total credit risk	178,847	73,189	5,855
Operational risk	n/a	5,874	470
Market risk	n/a	6,797	544
Total	178,847	85,860	6,869

¹ Total credit risk weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

NOTES TO THE FINANCIAL STATEMENTS

Capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include pension risk, insurance risk, strategic equity risk, fixed asset risk, deferred acquisition cost risk, value in-force risk, business retention risk and software risk.

The Banking Group's internal capital allocation for these other material risks is NZ\$437 million (30/06/2016 NZ\$438 million; 30/09/2016 NZ\$441 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks.

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 the Banking Group'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 NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
LVR range			
Does not exceed 60%	32,130	5,217	37,347
Exceeds 60% and not 70%	15,720	1,386	17,106
Exceeds 70% and not 80%	16,812	1,273	18,085
Does not exceed 80%	64,662	7,876	72,538
Exceeds 80% and not 90%	2,809	141	2,950
Exceeds 90%	1,469	185	1,654
Total	68,940	8,202	77,142

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of the Banking Group'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.

NOTES TO THE FINANCIAL STATEMENTS

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	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Assets						
Net loans and advances ^{1,2}	119,297	119,272	113,107	113,437	114,623	114,891
Liabilities						
Deposits and other borrowings ^{2,3}	103,212	103,253	99,941	100,059	99,066	99,169
Debt issuances ¹	19,320	19,483	17,108	17,233	20,014	20,148
Subordinated debt	3,283	3,465	3,282	3,220	3,282	3,351

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

The Banking Group 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 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	15,415	4	15,429	3	21,495	7	21,505	3	21,100	7	21,110
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	17,209	5	30,148	14,236	22,957	9	37,202	13,616	22,443	8	36,067
Financial liabilities												
Deposits and other borrowings	-	2,736	-	2,736	-	6,541	-	6,541	-	5,364	-	5,364
Derivative financial instruments	11	16,607	1	16,619	41	22,630	3	22,674	46	21,908	2	21,956
Payables and other liabilities	180	-	-	180	386	-	-	386	157	-	-	157
Total financial liabilities held at fair value	191	19,343	1	19,535	427	29,171	3	29,601	203	27,272	2	27,477

NOTES TO THE FINANCIAL STATEMENTS

14. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

The Banking Group 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 the Banking Group 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 the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of equity (as at the end of the period).

15. INSURANCE BUSINESS

The Banking Group conducts insurance business through its subsidiary OnePath Life (NZ) Limited (OnePath Life).

The Banking Group'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 0.6% (30/06/2016: 0.6%; 30/09/2016 0.6%) of the total consolidated assets of the Banking Group.

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	27,121	27,583	27,296
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	29,510	30,046	29,757

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.

The Banking Group 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

The Banking Group has other contingent liabilities in respect of actual and possible claims and court proceedings.

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

17. 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.

18. SUBSEQUENT EVENTS

On 11 August 2017, the Bank's Board resolved to pay a preference dividend of NZ\$5.8 million on 1 September 2017 and to pay an ordinary dividend of NZ\$900 million no later than 30 September 2017.

DIRECTORS' STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director believes that:

- (i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand 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 believes that:

- (i) ANZ Bank New Zealand Limited has complied with all Conditions of Registration that applied during that period
- (ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group
- (iii) ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 11 August 2017.

Antony Carter



Shayne Elliott



David Hisco



John Judge



Mark Verbiest



Nigel Williams



Joan Withers



