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**ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT**

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

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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. The Bank's credit ratings are:

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

Guarantors

No material obligations of the Bank are guaranteed as at 10 February 2017.

ANZNZ Covered Bond Trust

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

Changes to Conditions of Registration

The conditions of registration applying to the Bank were amended on 1 October 2016 to refer to a revised version of the RBNZ document entitled "*Framework for Restrictions on High-LVR Residential Mortgage Lending*" (BS19) which includes changes to the high-LVR restrictions.

Adoption of this amendment has not resulted in any material change to the Banking Group's reported result or financial position.

Other Matters

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

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

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

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

Auditor

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

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INCOME STATEMENT

		Unaudited 3 months to 31/12/2016	Unaudited 3 months to 31/12/2015	Audited Year to 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Interest income		1,551	1,661	6,423
Interest expense		789	920	3,421
Net interest income		762	741	3,002
Net trading gains / (losses)		72	(9)	12
Net funds management and insurance income		21	69	414
Other operating income	2	96	67	421
Share of associates' profit		1	-	5
Operating income		952	868	3,854
Operating expenses		369	378	1,599
Profit before credit impairment and income tax		583	490	2,255
Credit impairment charge	5	38	28	150
Profit before income tax		545	462	2,105
Income tax expense		152	120	570
Profit after income tax		393	342	1,535

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months to 31/12/2016	Unaudited 3 months to 31/12/2015	Audited Year to 30/09/2016
	NZ\$m	NZ\$m	NZ\$m
Profit after income tax	393	342	1,535
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on defined benefit schemes	-	-	18
Income tax expense relating to items that will not be reclassified	-	-	(5)
Total items that will not be reclassified to profit or loss	-	-	13
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains / (losses) recognised directly in equity	(15)	-	91
Realised losses transferred to income statement	2	1	9
Income tax credit / (expense) relating to items that may be reclassified	3	-	(28)
Total items that may be reclassified subsequently to profit or loss	(10)	1	72
Total comprehensive income for the period	383	343	1,620

BALANCE SHEET

		Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		3,280	3,023	2,274
Settlement balances receivable		507	235	396
Collateral paid		1,700	2,853	2,310
Trading securities		10,996	12,003	11,979
Investments backing insurance contract liabilities		128	178	119
Derivative financial instruments		14,929	14,031	21,110
Available-for-sale assets		4,892	2,710	2,859
Net loans and advances	4	113,617	108,231	114,623
Other assets		611	700	701
Life insurance contract assets		549	510	630
Investments in associates		7	4	7
Premises and equipment		385	391	387
Goodwill and other intangible assets		3,294	3,500	3,424
UDC assets held for sale	17	2,806	-	-
Total assets		157,701	148,369	160,819
Interest earning and discount bearing assets		137,535	129,231	134,489
Liabilities				
Settlement balances payable		1,461	1,408	1,771
Collateral received		766	1,280	529
Deposits and other borrowings	8	102,810	97,264	99,066
Derivative financial instruments		15,326	15,415	21,956
Current tax liabilities		28	24	21
Deferred tax liabilities		134	117	145
Payables and other liabilities		1,128	1,470	1,119
Provisions		200	193	206
Debt issuances	9	17,962	16,059	20,014
Subordinated debt	10	3,282	2,343	3,282
UDC liabilities held for sale	17	1,511	-	-
Total liabilities		144,608	135,573	148,109
Net assets		13,093	12,796	12,710
Equity				
Share capital		8,888	8,888	8,888
Reserves		52	(9)	62
Retained earnings		4,153	3,917	3,760
Total equity		13,093	12,796	12,710
Interest and discount bearing liabilities		118,616	110,916	115,961

CONDENSED CASH FLOW STATEMENT

	Unaudited 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Cash flows from operating activities			
Interest received	1,549	1,650	6,443
Interest paid	(772)	(931)	(3,416)
Other cash inflows provided by operating activities	221	245	976
Other cash outflows used in operating activities	(543)	(668)	(2,143)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	455	296	1,860
Net changes in operating assets and liabilities	2,740	1,970	(4,434)
Net cash flows provided by / (used in) operating activities	3,195	2,266	(2,574)
Cash flows from investing activities			
Cash inflows provided by investing activities	-	38	40
Cash outflows used in investing activities	(15)	(38)	(100)
Net cash flows used in investing activities	(15)	-	(60)
Cash flows from financing activities			
Cash inflows provided by financing activities	250	-	8,318
Cash outflows used in financing activities	(2,448)	(1,681)	(5,840)
Net cash flows provided by / (used in) financing activities	(2,198)	(1,681)	2,478
Net increase / (decrease) in cash and cash equivalents	982	585	(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	3,297	3,056	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	-	-	-	342	342
Realised losses transferred to the income statement	-	-	1	-	1
Total comprehensive income for the period	-	-	1	342	343
As at 31 December 2015 (Unaudited)	8,888	-	(9)	3,917	12,796
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	-	-	-	393	393
Unrealised gains / (losses) recognised directly in equity	-	7	(22)	-	(15)
Realised losses transferred to the income statement	-	-	2	-	2
Income tax credit / (expense) on items recognised directly in equity	-	(2)	5	-	3
Total comprehensive income for the period	-	5	(15)	393	383
As at 31 December 2016 (Unaudited)	8,888	5	47	4,153	13,093

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 three months ended 31 December 2016. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with 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 3 months to 31/12/2016 NZ\$m	Unaudited 3 months to 31/12/2015 NZ\$m	Audited Year to 30/09/2016 NZ\$m
Net fee income	105	106	422
Fair value loss on hedging activities and financial liabilities designated at fair value	(16)	(48)	(40)
Gain / (loss) on sale of mortgages to NZ Branch	(1)	-	1
Other income	8	9	38
Total other operating income	96	67	421

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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, wholesale money market services and transaction banking.

Other

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

Business segment analysis¹

	Retail NZ\$m	Commercial NZ\$m	Institutional NZ\$m	Other NZ\$m	Total NZ\$m
Unaudited 3 months to 31/12/2016					
External revenues	668	456	181	(353)	952
Intersegment revenues	(70)	(227)	8	289	-
Total revenues	598	229	189	(64)	952
Profit / (loss) after income tax	247	99	99	(52)	393
Unaudited 3 months to 31/12/2015					
External revenues	593	491	101	(317)	868
Intersegment revenues	(27)	(263)	2	288	-
Total revenues	566	228	103	(29)	868
Profit / (loss) after income tax	217	107	37	(19)	342
Audited year to 30/09/2016					
External revenues	2,540	1,885	462	(1,033)	3,854
Intersegment revenues	(198)	(981)	19	1,160	-
Total revenues	2,342	904	481	127	3,854
Profit after income tax	903	413	201	18	1,535

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

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

		Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	Note	NZ\$m	NZ\$m	NZ\$m
Overdrafts ¹		836	1,012	1,133
Credit card outstandings		1,728	1,753	1,663
Term loans - housing ¹		68,372	61,567	67,298
Term loans - non-housing		44,429	43,147	43,651
Lease receivables		222	232	226
Hire purchase		1,164	978	1,098
Total gross loans and advances		116,751	108,689	115,069
Less: Provision for credit impairment	5	(640)	(607)	(622)
Less: Unearned income		(218)	(216)	(211)
Add: Capitalised brokerage/mortgage origination fees		355	334	360
Add: Customer liability for acceptances		31	31	27
Net loans and advances (including assets classified as held for sale)		116,279	108,231	114,623
Less: UDC net loans and advances held for sale	17	(2,662)	-	-
Net loans and advances		113,617	108,231	114,623

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

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$5,546 million as at 31 December 2016 (31/12/2015 NZ\$7,496 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	Other retail exposures	Non-retail exposures	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Unaudited 31/12/2016				
Collective provision	79	126	251	456
Individual provision	33	6	145	184
Total provision for credit impairment	112	132	396	640
Collective credit impairment charge / (release)	1	(4)	(12)	(15)
Individual credit impairment charge / (release)	(4)	14	43	53
Credit impairment charge / (release)	(3)	10	31	38
Unaudited 31/12/2015				
Collective provision	78	124	254	456
Individual provision	48	7	96	151
Total provision for credit impairment	126	131	350	607
Collective credit impairment charge / (release)	1	(3)	1	(1)
Individual credit impairment charge / (release)	(5)	17	17	29
Credit impairment charge / (release)	(4)	14	18	28
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 31/12/2016				
Total impaired assets	54	23	459	536
Loans that are at least 90 days past due but not impaired	93	30	19	142
Unaudited 31/12/2015				
Total impaired assets	73	29	246	348
Loans that are at least 90 days past due but not impaired	93	32	29	154
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 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016	Unaudited 31/12/2016	Unaudited 31/12/2015	Audited 30/09/2016
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Securities sold under agreements to repurchase	344	538	77	344	539	76
Residential mortgages pledged as security for covered bonds	10,749	7,643	10,265	4,960	4,828	6,218
Assets pledged as collateral for UDC secured investments	2,763	2,498	2,665	1,460	1,726	1,592

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

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 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Term deposits		41,371	36,324	39,665
On demand and short term deposits		42,944	42,984	42,323
Deposits not bearing interest		8,562	7,154	7,780
UDC secured investments	7	1,460	1,726	1,592
Total customer deposits		94,337	88,188	91,360
Certificates of deposit		2,106	2,642	2,237
Commercial paper		7,466	5,858	5,364
Securities sold under agreements to repurchase		344	539	76
Deposits from other members of ANZ New Zealand		17	37	29
Deposits and other borrowings (including liabilities classified as held for sale)		104,270	97,264	99,066
Less: UDC secured investments held for sale	17	(1,460)	-	-
Deposits and other borrowings		102,810	97,264	99,066

NOTES TO THE FINANCIAL STATEMENTS

9. DEBT ISSUANCES

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

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

Debt issuances, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of the Banking Group.

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

10. SUBORDINATED DEBT

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
ANZ Capital Notes¹			
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	1,002	1,003
NZD 938m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)	938	-	938
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond ^{2,3}	835	835	835
AUD 10m perpetual subordinated floating rate loan	10	11	10
Total subordinated debt	3,282	2,343	3,282

¹ These instruments qualify as additional tier 1 capital.

² These instruments are quoted on the NZX Debt Market.

³ These instruments qualify as tier 2 capital under RBNZ's Basel III transitional rules, subject to the RBNZ's Basel III transition adjustment.

11. RELATED PARTY BALANCES

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Total due from related parties	4,091	3,896	4,929
Total due to related parties	6,258	4,994	7,154

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

Basel III capital ratios	RBNZ minimum ratios	Banking Group		
		31/12/2016	31/12/2015	30/09/2016
Unaudited				
Common equity tier 1 capital	4.5%	10.5%	10.7%	10.0%
Tier 1 capital	6.0%	13.7%	13.0%	13.2%
Total capital	8.0%	14.3%	13.8%	13.7%
Buffer ratio	2.5%	6.0%	5.8%	5.5%

Capital of the Banking Group	Unaudited 31/12/2016 NZ\$m
Common equity tier 1 capital before deductions	12,793
Less deductions from common equity tier 1 capital	(3,765)
Common equity tier 1 capital	9,028
Additional tier 1 capital	2,779
Total tier 1 capital	11,807
Tier 2 capital	468
Total capital	12,275

Capital requirements of the Banking Group	Exposure at default NZ\$m	Risk weighted exposure or implied risk weighted exposure ¹ NZ\$m	Total capital requirement NZ\$m
Corporate exposures ²	49,638	31,932	2,555
Sovereign exposures	12,899	303	24
Bank exposures	12,354	3,544	284
Retail mortgage exposures	74,706	17,515	1,401
Other retail exposures	10,816	8,639	691
Exposures subject to internal ratings based approach	160,413	61,933	4,955
Specialised lending exposures subject to slotting approach	11,351	10,523	842
Exposures subject to standardised approach	2,031	373	30
Equity exposures	7	31	2
Other exposures	3,681	1,697	136
Total credit risk	177,483	74,557	5,965
Operational risk	n/a	6,052	484
Market risk	n/a	5,279	422
Total	177,483	85,888	6,871

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

² Includes an adjustment to the risk weight of the Banking Group's farm lending portfolio as specified by the RBNZ, resulting in an additional capital requirement of NZ\$101 million.

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\$439 million (31/12/2015 NZ\$504 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

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 31/12/2016	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
LVR range			
Does not exceed 60%	28,808	4,956	33,764
Exceeds 60% and not 70%	14,698	1,419	16,117
Exceeds 70% and not 80%	17,210	1,475	18,685
Does not exceed 80%	60,716	7,850	68,566
Exceeds 80% and not 90%	3,466	175	3,641
Exceeds 90%	1,676	207	1,883
Total	65,858	8,232	74,090

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 its internal and regulatory liquidity scenario metrics.

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

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

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 31/12/2016		Unaudited 31/12/2015		Audited 30/09/2016	
	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m
Assets						
Net loans and advances ¹	116,279	116,372	108,231	108,698	114,623	114,891
Liabilities						
Deposits and other borrowings ²	104,270	104,320	97,264	97,396	99,066	99,169
Debt issuances ¹	17,962	18,094	16,059	16,152	20,014	20,148
Subordinated debt	3,282	3,392	2,343	2,326	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 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 31/12/2016				Unaudited 31/12/2015				Audited 30/09/2016			
	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m	Level 1 NZ\$m	Level 2 NZ\$m	Level 3 NZ\$m	Total NZ\$m
Financial assets												
Trading securities	10,880	116	-	10,996	11,804	199	-	12,003	11,937	42	-	11,979
Derivative financial instruments	25	14,898	6	14,929	19	14,007	5	14,031	3	21,100	7	21,110
Available-for-sale assets	3,981	910	1	4,892	1,384	1,324	2	2,710	1,671	1,187	1	2,859
Investments backing insurance contract liabilities	5	123	-	128	3	175	-	178	5	114	-	119
Total financial assets held at fair value	14,891	16,047	7	30,945	13,210	15,705	7	28,922	13,616	22,443	8	36,067
Financial liabilities												
Deposits and other borrowings	-	7,466	-	7,466	-	5,858	-	5,858	-	5,364	-	5,364
Derivative financial instruments	27	15,295	4	15,326	2	15,410	3	15,415	46	21,908	2	21,956
Payables and other liabilities	292	-	-	292	467	-	-	467	157	-	-	157
Total financial liabilities held at fair value	319	22,761	4	23,084	469	21,268	3	21,740	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 to bank counterparties on the basis of actual exposures, and to non-bank counterparties on the basis of limits.

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

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

15. INSURANCE BUSINESS

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\$857 million (31/12/2015: NZ\$881 million; 30/09/2016 NZ\$926 million), which is 0.5% (31/12/2015: 0.6%; 30/09/2016 0.6%) of the total consolidated assets of the Banking Group.

16. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Unaudited 31/12/2016 NZ\$m	Unaudited 31/12/2015 NZ\$m	Audited 30/09/2016 NZ\$m
Contract amount of:			
Credit related commitments - facilities provided			
Undrawn facilities ¹	27,393	27,290	27,296
Guarantees and contingent liabilities			
Guarantees and letters of credit	874	888	850
Performance related contingencies	1,550	1,471	1,611
Total guarantees and contingent liabilities	2,424	2,359	2,461
Total Credit Related Commitments, Guarantees and Contingent Liabilities	29,817	29,649	29,757

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

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. SUBSEQUENT EVENTS

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

On 10 February 2017, the Bank's Board resolved to pay a preference dividend of NZ\$5.9 million on 1 March 2017 and to pay an ordinary dividend of NZ\$785 million no later than 31 March 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 three months ended 31 December 2016, 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, 10 February 2017.

Antony Carter



Shayne Elliott



David Hisco



John Judge



Mark Verbiest



Nigel Williams



Joan Withers



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