ANZ BANK NEW ZEALAND LIMITED
REGISTERED BANK DISCLOSURE STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2016
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FOR THE NINE MONTHS ENDED 30 JUNE 2016

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GLOSSARY OF TERMS

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

(a) Bank means ANZ Bank New Zealand Limited;
(b) Banking Group means the Bank and all its controlled entities;
(c) Immediate Parent Company means ANZ Holdings (New Zealand) Limited;
(d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;
(e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
(f) 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;
(g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;
(h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;
(i) Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service;
(j) RBNZ means the Reserve Bank of New Zealand;
(k) APRA means the Australian Prudential Regulation Authority;
(l) the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014; and
(m) 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 7 July 2016, Standard & Poor's changed the outlook on the Bank from Stable to Negative.

The Bank's credit ratings are:

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

Guarantors

No obligations of the Bank are guaranteed as at 12 August 2016.

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 2016 of NZ$4,739 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.

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 2016, the NZ Branch held approximately NZ$6.6 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

Nigel Williams became a Director on 14 December 2015 and ceased as alternate director for Michael Smith on 21 December 2015.

Michael Smith retired as a Director on 21 December 2015.

Auditor

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

INCOME STATEMENT

	Note	Unaudited 9 months to 30/06/2016 NZ$m	Unaudited 9 months to 30/06/2015 NZ$m	Audited Year to 30/09/2015 NZ$m
Interest income		4,837	5,197	6,926
Interest expense		2,590	3,059	4,051
Net interest income		2,247	2,138	2,875
Net trading gains		44	218	262
Net funds management and insurance income		325	280	385
Other operating income	2	318	367	523
Share of associates' profit		2	4	5
Operating income		2,936	3,007	4,050
Operating expenses	2	1,197	1,134	1,512
Profit before credit impairment and income tax		1,739	1,873	2,538
Credit impairment charge	5	105	56	74
Profit before income tax		1,634	1,817	2,464
Income tax expense		449	502	681
Profit after income tax		1,185	1,315	1,783

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9 months to 30/06/2016 NZ$m	Unaudited 9 months to 30/06/2015 NZ$m	Audited Year to 30/09/2015 NZ$m
Profit after income tax	1,185	1,315	1,783
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit schemes	(6)	(26)	(32)
Income tax credit relating to items that will not be reclassified	2	7	9
Total items that will not be reclassified to profit or loss	(4)	(19)	(23)
Items that may be reclassified subsequently to profit or loss			
Unrealised gains recognised directly in equity	78	2	12
Realised losses / (gains) transferred to income statement	4	(16)	(16)
Income tax credit / (expense) relating to items that may be reclassified	(23)	4	1
Total items that may be reclassified subsequently to profit or loss	59	(10)	(3)
Total comprehensive income for the period	1,240	1,286	1,757

BALANCE SHEET

	Note	Unaudited 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Assets				
Cash		1,836	3,643	2,380
Settlement balances receivable		550	346	309
Collateral paid		2,326	2,219	1,929
Trading securities		12,746	12,257	12,139
Investments backing insurance contract liabilities		120	141	151
Derivative financial instruments		21,505	16,507	17,658
Current tax assets		135	78	-
Available-for-sale assets		2,831	782	1,428
Net loans and advances	4	113,107	105,262	106,357
Other assets		723	717	740
Life insurance contract assets		633	541	552
Investments in associates		4	90	4
Premises and equipment		398	374	388
Goodwill and other intangible assets		3,418	3,471	3,492
Total assets		160,332	146,428	147,527
Interest earning and discount bearing assets		133,307	124,684	124,785
Liabilities				
Settlement balances payable		1,764	1,620	1,844
Collateral received		761	1,278	1,687
Deposits and other borrowings	8	99,941	91,890	90,678
Derivative financial instruments		22,674	15,957	17,230
Current tax liabilities		-	-	87
Deferred tax liabilities		155	98	124
Payables and other liabilities		1,571	1,689	1,487
Provisions		190	195	191
Debt issuances	9	17,108	19,313	19,403
Subordinated debt	10	3,282	2,343	2,343
Total liabilities		147,446	134,383	135,074
Net assets		12,886	12,045	12,453
Equity				
Share capital		8,888	8,213	8,888
Reserves		49	(17)	(10)
Retained earnings		3,949	3,849	3,575
Total equity		12,886	12,045	12,453
Interest and discount bearing liabilities		114,532	109,679	108,629

CONDENSED CASH FLOW STATEMENT

	Unaudited 9 months to 30/06/2016 NZ$m	Unaudited 9 months to 30/06/2015 NZ$m	Audited Year to 30/09/2015 NZ$m
Cash flows from operating activities			
Interest received	4,839	5,129	6,857
Interest paid	(2,573)	(2,967)	(3,985)
Other cash inflows provided by operating activities	733	688	1,054
Other cash outflows used in operating activities	(1,712)	(1,679)	(1,974)
Cash flows from operating profits before changes in operating assets and liabilities	1,287	1,171	1,952
Net changes in operating assets and liabilities	(1,606)	(420)	(1,498)
Net cash flows provided by / (used in) operating activities	(319)	751	454
Cash flows from investing activities			
Cash inflows provided by investing activities	38	-	-
Cash outflows used in investing activities	(69)	(77)	(132)
Net cash flows used in investing activities	(31)	(77)	(132)
Cash flows from financing activities			
Cash inflows provided by financing activities	4,845	4,296	6,384
Cash outflows used in financing activities	(5,087)	(3,089)	(6,065)
Net cash flows provided by / (used in) financing activities	(242)	1,207	319
Net increase / (decrease) in cash and cash equivalents	(592)	1,881	641
Cash and cash equivalents at beginning of the period	2,471	1,830	1,830
Cash and cash equivalents at end of the period	1,879	3,711	2,471

The notes to the financial statements form part of and should be read in conjunction with these financial statements

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 2014 (Audited)	8,213	-	(7)	3,575	11,781
Profit after income tax	-	-	-	1,315	1,315
Unrealised gains recognised directly in equity	-	1	1	-	2
Realised gains transferred to the income statement	-	-	(16)	-	(16)
Actuarial loss on defined benefit schemes	-	-	-	(26)	(26)
Income tax credit on items recognised directly in equity	-	-	4	7	11
Total comprehensive income for the period	-	1	(11)	1,296	1,286
Ordinary dividend paid	-	-	-	(1,015)	(1,015)
Preference dividend paid	-	-	-	(7)	(7)
As at 30 June 2015 (Unaudited)	8,213	1	(18)	3,849	12,045
As at 1 October 2014 (Audited)	8,213	-	(7)	3,575	11,781
Profit after income tax	-	-	-	1,783	1,783
Unrealised gains recognised directly in equity	-	-	12	-	12
Realised gains transferred to the income statement	-	-	(16)	-	(16)
Actuarial loss on defined benefit schemes	-	-	-	(32)	(32)
Income tax credit on items recognised directly in equity	-	-	1	9	10
Total comprehensive income for the period	-	-	(3)	1,760	1,757
Ordinary shares issued	675	-	-	-	675
Ordinary dividend paid	-	-	-	(1,745)	(1,745)
Preference dividend paid	-	-	-	(15)	(15)
As at 30 September 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

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 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 2015.

(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, including in the case of fair value hedging, the fair value of any applicable underlying exposure;
- financial instruments held for trading;
- financial assets treated as available-for-sale; and
- financial instruments designated at fair value through profit and loss.

(iii) Changes in accounting policies

With the exception of software changes in note 2, 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 AND EXPENSES

Other operating income

	Unaudited 9 months to 30/06/2016 NZ$m	Unaudited 9 months to 30/06/2015 NZ$m	Audited Year to 30/09/2015 NZ$m
Net fee income	316	304	404
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(28)	25	64
Gain / (loss) on sale of mortgages to NZ Branch	1	(2)	1
Other income	29	40	54
Total other operating income	318	367	523

Operating expenses

During the nine months ended 30 June 2016, the Banking Group changed the application of its accounting policy for the capitalisation of expenditure on internally generated software assets effective from 1 October 2015. The change aligns the accounting policy for software assets with the rapidly changing technology landscape and the Banking Group's evolving digital strategy by increasing the threshold for capitalisation of software development costs and directly expensing more project related costs. The change does not affect the Banking Group's total investment in technology but does affect the timing of recognition of costs in the profit and loss account. The impact of the change on the results for the nine months ended 30 June 2016 was:

- Higher amortisation of NZ$65 million relating to the accelerated amortisation of software assets where the original cost was below the revised threshold at 1 October 2015. This brings forward amortisation which otherwise would have been recognised in future periods.
- Higher operating expenses of NZ$31 million relating to software development costs which otherwise would have been capitalised and amortised in future periods.

The change in capitalised software treatment has no impact on regulatory capital ratios.

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 nine months ended 30 June 2016, Wealth was integrated with Retail, having been disclosed separately previously. During the year ended 30 September 2015, Business Banking was integrated with Retail, having been included in Commercial previously. Segment reporting has been updated to reflect these changes 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 analysis[1]

	Retail NZ$m	Commercial NZ$m	Institutional NZ$m	Other[2] NZ$m	Total NZ$m
Unaudited 9 months to 30/06/2016					
External revenues	1,872	1,423	375	(734)	2,936
Intersegment revenues	(126)	(743)	13	856	-
Total revenues	1,746	680	388	122	2,936
Profit after income tax	682	324	162	17	1,185
Unaudited 9 months to 30/06/2015					
External revenues	1,639	1,560	675	(867)	3,007
Intersegment revenues	22	(869)	(174)	1,021	-
Total revenues	1,661	691	501	154	3,007
Profit after income tax	617	360	253	85	1,315
Audited year to 30/09/2015					
External revenues	2,229	2,070	864	(1,113)	4,050
Intersegment revenues	(1)	(1,149)	(200)	1,350	-
Total revenues	2,228	921	664	237	4,050
Profit after income tax	835	478	331	139	1,783

1 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
2 This segment has negative external revenues as this segment incurs funding costs on behalf of the Banking Group and is reimbursed internally.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

	Note	Unaudited 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Overdrafts[1]		1,091	1,159	1,162
Credit card outstandings		1,674	1,676	1,688
Term loans - housing[1]		65,641	58,632	59,904
Term loans - non-housing		43,872	43,027	42,880
Lease receivables		227	243	236
Hire purchase		1,037	911	946
Other		-	125	-
Total gross loans and advances		113,542	105,773	106,816
Less: Provision for credit impairment	5	(618)	(638)	(611)
Less: Unearned income		(212)	(214)	(214)
Add: Capitalised brokerage/mortgage origination fees		356	290	314
Add: Customer liability for acceptances		39	51	52
Total net loans and advances		113,107	105,262	106,357

[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 (30/06/2015 NZ$498 million, 30/09/2015 NZ$476 million).

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$6,630 million as at 30 June 2016 (30/06/2015 NZ$7,719 million, 30/09/2015 NZ$8,011 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 30/06/2016				
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
Unaudited 30/06/2015				
Collective provision	85	123	259	467
Individual provision	60	8	103	171
Total provision for credit impairment	145	131	362	638
Collective credit impairment charge	7	5	4	16
Individual credit impairment charge / (release)	(6)	47	(1)	40
Credit impairment charge	1	52	3	56
Audited 30/09/2015				
Collective provision	77	127	253	457
Individual provision	54	9	91	154
Total provision for credit impairment	131	136	344	611
Collective credit impairment charge / (release)	(1)	9	(2)	6
Individual credit impairment charge / (release)	(9)	68	9	68
Credit impairment charge / (release)	(10)	77	7	74

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 30/06/2016				
Total impaired assets	66	30	264	360
Loans that are at least 90 days past due but not impaired	98	31	49	178
Unaudited 30/06/2015				
Total impaired assets	112	31	269	412
Loans that are at least 90 days past due but not impaired	117	36	59	212
Audited 30/09/2015				
Total impaired assets	97	32	253	382
Loans that are at least 90 days past due but not impaired	103	32	62	197

7. ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES

	Carrying Amount		
	Unaudited 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Cash collateral given on derivative financial instruments	2,326	2,219	1,929
Securities sold under agreements to repurchase	861	826	47
Residential mortgages pledged as security for covered bonds	11,317	7,020	7,547
Assets pledged as collateral for UDC secured investments	2,619	2,458	2,441
Total financial assets pledged as collateral	17,123	12,523	11,964

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 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Term deposits		38,121	34,401	34,982
On demand and short term deposits		43,674	39,326	41,436
Deposits not bearing interest		7,548	6,366	6,716
UDC secured investments	7	1,677	1,654	1,736
Total customer deposits		91,020	81,747	84,870
Certificates of deposit		1,502	2,257	745
Commercial paper		6,541	6,877	4,964
Deposits from banks		861	1,002	47
Deposits from other members of ANZ New Zealand		17	7	52
Total deposits and other borrowings		99,941	91,890	90,678

NOTES TO THE FINANCIAL STATEMENTS

9. DEBT ISSUANCES

	Unaudited 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Domestic bonds	3,575	3,650	3,525
U.S. medium term notes[1]	5,646	6,748	6,831
Euro medium term notes[1]	2,898	3,835	3,598
Covered bonds[1]	4,739	4,983	5,335
Index linked notes	36	36	35
Total debt issuances	16,894	19,252	19,324
Fair value hedge adjustment	233	119	175
Less debt issuances held by the Bank	(19)	(58)	(96)
Total debt issuances	17,108	19,313	19,403

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 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
ANZ Capital Notes[1]			
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN)[2]	495	494	494
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	-	-
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond[2,3]	835	835	835
AUD 10m perpetual subordinated floating rate loan	11	11	11
Total subordinated debt	3,282	2,343	2,343

1 These instruments qualify as additional tier 1 capital.
2 These instruments are listed on the New Zealand Debt Market (NZDX). The Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.3 (relating to the provision of preliminary announcements of half yearly and annual results to the NZX) and 10.4 (relating to preparing and providing a copy of half yearly and annual reports to the NZX).
3 These instruments qualify as tier 2 capital under RBNZ's Basel III transitional rules, subject to the RBNZ's Basel III transition adjustment.

NZD 938 million ANZ New Zealand Internal Capital Notes (ANZ NZ ICN2)

On 15 June 2016, the Bank issued 9.38 million convertible notes to the NZ Branch at NZ$100 each, raising NZ$938 million.

The ANZ NZ ICN2 Notes (the notes) are fully paid convertible subordinated perpetual notes.

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

Interest

Interest on the notes is non-cumulative and payable semi-annually in arrears in June and December in each year. The interest rate is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus a 629 basis point margin.

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

Conversion features

The Bank may be required to convert some or all of the notes if a common equity capital trigger event, or a RBNZ non-viability trigger event occurs. The ANZ NZ ICN2 will convert into ordinary shares of the Bank.

A common equity capital trigger event occurs if the Banking Group's common equity tier 1 capital is equal to or less than 5.125%.

A 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.

Redemption

On 15 June 2026 and each 5th anniversary thereafter the Bank has the right, subject to satisfying certain conditions, to redeem (subject to receiving RBNZ's prior approval), all or some of the ANZ NZ ICN2 at its discretion.

Rights of holders in event of liquidation

The notes rank equally with the Bank's other ANZ Capital notes and preference shares, and lower than perpetual subordinated debt. Holders of the notes do not have any right to vote in general meetings of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

11. RELATED PARTY BALANCES

	Unaudited 30/06/2016 NZ$m	Unaudited 30/06/2015 NZ$m	Audited 30/09/2015 NZ$m
Total due from related parties	5,200	4,369	4,195
Total due to related parties	7,229	5,879	5,487

12. CAPITAL ADEQUACY

Basel III capital ratios

	RBNZ minimum ratios	Banking Group 30/06/2016	30/06/2015	30/09/2015
Unaudited				
Common equity tier 1 capital	4.5%	10.4%	10.0%	10.5%
Tier 1 capital	6.0%	13.7%	12.3%	12.7%
Total capital	8.0%	14.2%	13.1%	13.6%
Buffer ratio	2.5%	5.9%	5.1%	5.6%

Capital of the Banking Group

	Unaudited 30/06/2016 NZ$m
Common equity tier 1 capital before deductions	12,587
Less deductions from common equity tier 1 capital	(3,675)
Common equity tier 1 capital	8,912
Additional tier 1 capital	2,781
Total tier 1 capital	11,693
Tier 2 capital	468
Total capital	12,161

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
Unaudited 30/06/2016			
Corporate exposures	49,809	31,024	2,482
Sovereign exposures	12,403	322	26
Bank exposures	11,817	3,886	311
Retail mortgage exposures	72,011	17,037	1,363
Other retail exposures	10,743	8,578	686
Exposures subject to internal ratings based approach	156,783	60,847	4,868
Specialised lending exposures subject to slotting approach	10,786	9,856	788
Exposures subject to standardised approach	2,447	346	28
Equity exposures	6	24	2
Other exposures	2,892	1,701	136
Total credit risk	172,914	72,774	5,822
Operational risk	n/a	5,923	474
Market risk	n/a	6,876	550
Total	172,914	85,573	6,846

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$438 million (30/06/2015 NZ$450 million; 30/09/2015 NZ$479 million).

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.

	30/06/2016		
	On-balance sheet	Off-balance sheet	Total
Unaudited	NZ$m	NZ$m	NZ$m
LVR range			
Does not exceed 60%	24,944	4,603	29,547
Exceeds 60% and not 70%	13,563	1,531	15,094
Exceeds 70% and not 80%	18,277	1,792	20,069
Does not exceed 80%	56,784	7,926	64,710
Exceeds 80% and not 90%	4,241	231	4,472
Exceeds 90%	1,984	231	2,215
Total	63,009	8,388	71,397

Liquidity portfolio

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

	Unaudited 30/06/2016 NZ$m
Cash and balances with central banks	1,330
Certificates of deposit	1,126
Government, local body stock and bonds	5,486
Government treasury bills	938
Reserve Bank bills	277
Other bonds	6,610
Total liquidity portfolio	15,767

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$6,990 million at 30 June 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 30/06/2016		Unaudited 30/06/2015		Audited 30/09/2015	
	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]	113,107	113,437	105,262	105,755	106,357	106,854
Liabilities						
Deposits and other borrowings[2]	99,941	100,059	91,890	92,041	90,678	90,832
Debt issuances[1]	17,108	17,233	19,313	19,458	19,403	19,516
Subordinated debt	3,282	3,220	2,343	2,335	2,343	2,288

[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 30/06/2016				Unaudited 30/06/2015				Audited 30/09/2015			
	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	12,592	154	-	12,746	12,168	89	-	12,257	11,880	259	-	12,139
Derivative financial instruments	3	21,495	7	21,505	6	16,497	4	16,507	12	17,640	6	17,658
Available-for-sale assets	1,636	1,193	2	2,831	324	456	2	782	900	526	2	1,428
Investments backing insurance contract liabilities	5	115	-	120	2	139	-	141	2	149	-	151
Total financial assets held at fair value	14,236	22,957	9	37,202	12,500	17,181	6	29,687	12,794	18,574	8	31,376
Financial liabilities												
Deposits and other borrowings	-	6,541	-	6,541	-	6,877	-	6,877	-	4,964	-	4,964
Derivative financial instruments	41	22,630	3	22,674	4	15,951	2	15,957	19	17,209	2	17,230
Payables and other liabilities	386	-	-	386	526	-	-	526	309	-	-	309
Total financial liabilities held at fair value	427	29,171	3	29,601	530	22,828	2	23,360	328	22,173	2	22,503

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 30 June 2016 there was one bank counterparty, with a long term credit rating of BBB+ or its equivalent, where the Banking Group's peak end-of-day credit exposure was 10% to 15% of the Banking Group's 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$921 million (30/06/2015: NZ$862 million; 30/09/2015 NZ$884 million), which is 0.6% (30/06/2015: 0.6%; 30/09/2015 0.6%) of the total consolidated assets of the Banking Group.

16. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Face or contract value		
	Unaudited 30/06/2016 NZ$m	**Unaudited 30/06/2015 NZ$m**	**Audited 30/09/2015 NZ$m**
Credit related commitments			
Commitments with certain drawdown due within one year	1,242	1,217	1,130
Commitments to provide financial services	32,192	30,223	31,291
Total credit related commitments	33,434	31,440	32,421
Guarantees and contingent liabilities			
Financial guarantees	825	971	920
Standby letters of credit	104	60	82
Transaction related contingent items	1,436	1,350	1,385
Trade related contingent liabilities	98	90	67
Total guarantees and contingent liabilities	2,463	2,471	2,454

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

On 11 March 2013, litigation funder Litigation Lending Services (NZ) Limited announced plans for a representative action against banks in New Zealand for certain fees charged to New Zealand customers over the past six years. Proceedings were filed against the Bank on 25 June 2013. The potential outcome of this litigation cannot be determined with any certainty at this stage.

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 12 August 2016 the Bank's Board resolved to pay a preference dividend of NZ$6 million on 1 September 2016 and to pay an ordinary dividend of NZ$550 million no later than 30 September 2016.

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; and

(ii) The Disclosure Statement is not false or misleading.

Over the nine months ended 30 June 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, 12 August 2016.

Antony Carter

Shayne Elliott

David Hisco

John Judge

Mark Verbiest

Nigel Williams

Joan Withers