

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

FOR THE SIX MONTHS ENDED 31 MARCH 2016
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REGISTERED BANK DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 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 Funds Pty Limited, which is the immediate parent company of 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 Level 10, 171 Featherston Street, Wellington, New Zealand, which is also ANZ New Zealand'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 (Overseas 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 Ultimate Parent Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations. The Ultimate Parent Bank's credit ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Stable
Moody's Investors Service	Aa2	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Guarantors

No obligations of the NZ Branch are guaranteed as at 30 May 2016.

ANZ NZ 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 ANZ NZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZ NZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 March 2016 of NZ\$4,961 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

Financial Statements of the Ultimate Parent Bank and Overseas Banking Group

Copies of the most recent publicly available financial statements of the Ultimate Parent Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where the request is made at the Registered Office. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the internet address anz.com.

Other Matters

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

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

The Ultimate Parent Bank established a New Zealand branch which was registered on 5 January 2009. The Bank sells, from time-to-time, residential loans and mortgages into the NZ Branch to provide funding for the Bank's business. As at 31 March 2016, the NZ Branch held approximately NZ\$7.1 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

Michael Smith retired as Chief Executive Officer and an Executive Director on 31 December 2015.

Shayne Elliott became Chief Executive Officer and an Executive Director on 1 January 2016.

Auditor

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

INCOME STATEMENT

		Unaudited 6 months to 31/03/2016 NZ\$m	Unaudited 6 months to 31/03/2015 NZ\$m	Audited Year to 30/09/2015 NZ\$m
	Note			
Interest income		3,455	3,707	7,417
Interest expense		1,962	2,285	4,537
Net interest income		1,493	1,422	2,880
Net trading gains		19	149	262
Net funds management and insurance income		193	211	385
Other operating income	2	215	217	505
Share of associates' profit		-	1	5
Operating income		1,920	2,000	4,037
Operating expenses	2	822	756	1,513
Profit before credit impairment and income tax		1,098	1,244	2,524
Credit impairment charge	5	50	31	76
Profit before income tax		1,048	1,213	2,448
Income tax expense		285	336	677
Profit after income tax		763	877	1,771

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31/03/2016 NZ\$m	Unaudited 6 months to 31/03/2015 NZ\$m	Audited Year to 30/09/2015 NZ\$m
Profit after income tax	763	877	1,771
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial loss on defined benefit schemes	(5)	(27)	(33)
Income tax credit relating to items that will not be reclassified	2	8	9
Total items that will not be reclassified to profit or loss	(3)	(19)	(24)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains recognised directly in equity	56	7	12
Realised losses / (gains) transferred to income statement	2	(13)	(16)
Income tax credit / (expense) relating to items that may be reclassified	(17)	2	1
Total items that may be reclassified subsequently to profit or loss	41	(4)	(3)
Total comprehensive income for the period	801	854	1,744

BALANCE SHEET

		Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		2,830	2,605	2,435
Settlement balances receivable		544	601	309
Collateral paid		2,114	2,123	1,929
Trading securities		12,499	12,215	12,139
Investments backing insurance contract liabilities		189	210	151
Derivative financial instruments		21,102	10,851	17,587
Current tax assets		74	10	-
Available-for-sale assets		2,245	903	1,428
Net loans and advances	4	117,470	109,031	114,376
Other assets		765	689	740
Life insurance contract assets		567	554	552
Investments in associates		4	89	4
Premises and equipment		398	372	388
Goodwill and other intangible assets		3,416	3,462	3,492
Total assets		164,217	143,715	155,530
Interest earning and discount bearing assets		137,670	127,315	132,869
Liabilities				
Settlement balances payable		1,704	1,322	1,469
Collateral received		919	364	1,687
Deposits and other borrowings	8	105,826	96,959	99,736
Derivative financial instruments		22,548	13,204	17,769
Current tax liabilities		-	-	81
Deferred tax liabilities		146	97	124
Payables and other liabilities		1,771	1,333	1,527
Provisions		187	189	191
Debt issuances	9	17,547	17,686	19,403
Subordinated debt	10	2,698	2,581	2,683
Total liabilities (excluding head office account)		153,346	133,735	144,670
Net assets (excluding head office account)		10,871	9,980	10,860
Equity				
Share capital and head office account		8,058	7,393	8,058
Reserves		31	(11)	(10)
Retained earnings		2,782	2,598	2,812
Total equity and head office account		10,871	9,980	10,860
Interest and discount bearing liabilities		121,297	112,098	118,026

CONDENSED CASH FLOW STATEMENT

	Unaudited 6 months to 31/03/2016 NZ\$m	Unaudited 6 months to 31/03/2015 NZ\$m	Audited Year to 30/09/2015 NZ\$m
Cash flows from operating activities			
Interest received	3,436	3,652	7,357
Interest paid	(2,001)	(2,309)	(4,482)
Other cash inflows provided by operating activities	467	448	958
Other cash outflows used in operating activities	(1,280)	(1,140)	(1,979)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	622	651	1,854
Net changes in operating assets and liabilities	923	(1,499)	(1,876)
Net cash flows provided by / (used in) operating activities	1,545	(848)	(22)
Cash flows from investing activities			
Cash inflows provided by investing activities	38	-	-
Cash outflows used in investing activities	(48)	(44)	(132)
Net cash flows used in investing activities	(10)	(44)	(132)
Cash flows from financing activities			
Cash inflows provided by financing activities	2,883	3,956	6,369
Cash outflows used in financing activities	(4,005)	(2,697)	(5,945)
Net cash flows provided by / (used in) financing activities	(1,122)	1,259	424
Net increase in cash and cash equivalents	413	367	270
Cash and cash equivalents at beginning of the period	2,526	2,256	2,256
Cash and cash equivalents at end of the period	2,939	2,623	2,526

STATEMENT OF CHANGES IN EQUITY

	Share capital and head office account 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)	7,393	-	(7)	2,695	10,081
Profit after income tax	-	-	-	877	877
Unrealised gains recognised directly in equity	-	1	6	-	7
Realised gains transferred to the income statement	-	-	(13)	-	(13)
Actuarial loss on defined benefit schemes	-	-	-	(27)	(27)
Income tax credit on items recognised directly in equity	-	-	2	8	10
Total comprehensive income for the period	-	1	(5)	858	854
Ordinary dividend paid	-	-	-	(955)	(955)
As at 31 March 2015 (Unaudited)	7,393	1	(12)	2,598	9,980
As at 1 October 2014 (Audited)	7,393	-	(7)	2,695	10,081
Profit after income tax	-	-	-	1,771	1,771
Unrealised gains recognised directly in equity	-	-	12	-	12
Realised gains transferred to the income statement	-	-	(16)	-	(16)
Actuarial loss on defined benefit schemes	-	-	-	(33)	(33)
Income tax credit on items recognised directly in equity	-	-	1	9	10
Total comprehensive income for the period	-	-	(3)	1,747	1,744
Ordinary dividend paid	-	-	-	(1,630)	(1,630)
Preference shares issued	675	-	-	-	675
Preference shares redeemed	(10)	-	-	-	(10)
As at 30 September 2015 (Audited)	8,058	-	(10)	2,812	10,860
Profit after income tax	-	-	-	763	763
Unrealised gains recognised directly in equity	-	-	56	-	56
Realised losses transferred to the income statement	-	-	2	-	2
Actuarial loss on defined benefit schemes	-	-	-	(5)	(5)
Income tax credit / (expense) on items recognised directly in equity	-	-	(17)	2	(15)
Total comprehensive income for the period	-	-	41	760	801
Ordinary dividend paid	-	-	-	(790)	(790)
As at 31 March 2016 (Unaudited)	8,058	-	31	2,782	10,871

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Reporting entity and statement of compliance

These interim financial statements are for ANZ New Zealand for the six months ended 31 March 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 ANZ New Zealand'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 ANZ New Zealand are consistent with those adopted and disclosed in the previous full year Disclosure Statement.

(iv) Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

(v) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

(vi) Principles of consolidation

The consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank (those entities where it is determined that the Ultimate Parent Bank has capacity to control).

2. OTHER OPERATING INCOME AND EXPENSES

Other operating income

	Unaudited 6 months to 31/03/2016 NZ\$m	Unaudited 6 months to 31/03/2015 NZ\$m	Audited Year to 30/09/2015 NZ\$m
Net fee income	197	191	381
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(2)	3	70
Other income	20	23	54
Total other operating income	215	217	505

Operating expenses

During the March 2016 half, ANZ New Zealand 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 ANZ New Zealand'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 ANZ New Zealand'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 March 2016 half 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\$22 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

ANZ New Zealand is organised into four major business segments for segment reporting purposes - Retail, Commercial, Wealth 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 2015, Business Banking was integrated with Retail, having been included in Commercial previously. Segment reporting has been updated to reflect this change and other minor changes to ANZ New Zealand's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

Retail

Retail provides products and services to Retail and Business Banking customers via the branch network, mortgage specialists, the contact centre and a variety of self service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Retail 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 include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home loans secured by mortgages over property. The Retail segment distributes insurance and investment products on behalf of the Wealth segment.

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.

Wealth

Wealth comprises the Private Wealth, Funds Management and Insurance businesses, which provide private banking, investment, superannuation and insurance products and services.

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	Wealth NZ\$m	Institutional NZ\$m	Other ² NZ\$m	Total NZ\$m
Unaudited 6 months to 31/03/2016						
External revenues	1,330	963	80	221	(674)	1,920
Intersegment revenues	(317)	(510)	79	16	732	-
Total revenues	1,013	453	159	237	58	1,920
Profit / (loss) after income tax	395	221	68	98	(19)	763
Unaudited 6 months to 31/03/2015						
External revenues	1,243	1,038	73	458	(812)	2,000
Intersegment revenues	(275)	(577)	84	(123)	891	-
Total revenues	968	461	157	335	79	2,000
Profit after income tax	365	242	67	168	35	877
Audited year to 30/09/2015						
External revenues	2,541	2,070	159	851	(1,584)	4,037
Intersegment revenues	(583)	(1,149)	164	(184)	1,752	-
Total revenues	1,958	921	323	667	168	4,037
Profit after income tax	734	479	136	333	89	1,771

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 ANZ New Zealand and is reimbursed internally.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

		Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
	Note	NZ\$m	NZ\$m	NZ\$m
Overdrafts ¹		1,128	1,169	1,162
Credit card outstandings		1,683	1,639	1,688
Term loans - housing ¹		70,607	64,502	67,932
Term loans - non-housing		43,267	41,017	42,880
Lease receivables		229	255	236
Hire purchase		999	878	946
Other		-	125	-
Total gross loans and advances		117,913	109,585	114,844
Less: Provision for credit impairment	5	(604)	(659)	(629)
Less: Unearned income		(215)	(216)	(214)
Add: Capitalised brokerage/mortgage origination fees		346	259	323
Add: Customer liability for acceptances		30	62	52
Total net loans and advances		117,470	109,031	114,376

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 (31/03/2015 NZ\$471 million, 30/09/2015 NZ\$476 million).

5. PROVISION FOR CREDIT IMPAIRMENT

Credit impairment charge / (release)

	Retail mortgages	Other retail exposures	Non-retail exposures	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Unaudited 31/03/2016				
New and increased provisions	12	57	39	108
Write-backs	(20)	(9)	(16)	(45)
Recoveries of amounts written off previously	-	(11)	(2)	(13)
Individual credit impairment charge / (release)	(8)	37	21	50
Collective credit impairment charge / (release)	(3)	4	(1)	-
Credit impairment charge / (release)	(11)	41	20	50
Unaudited 31/03/2015				
New and increased provisions	19	50	41	110
Write-backs	(21)	(9)	(31)	(61)
Recoveries of amounts written off previously	(1)	(10)	(1)	(12)
Individual credit impairment charge / (release)	(3)	31	9	37
Collective credit impairment release	(1)	(1)	(4)	(6)
Credit impairment charge / (release)	(4)	30	5	31
Audited 30/09/2015				
New and increased provisions	45	107	76	228
Write-backs	(48)	(19)	(59)	(126)
Recoveries of amounts written off previously	(1)	(20)	(8)	(29)
Individual credit impairment charge / (release)	(4)	68	9	73
Collective credit impairment charge / (release)	(4)	9	(2)	3
Credit impairment charge / (release)	(8)	77	7	76

NOTES TO THE FINANCIAL STATEMENTS

Movement in provision for credit impairment

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/03/2016				
Collective provision				
Balance at beginning of the period	87	127	253	467
Charge / (release) to income statement	(3)	4	(1)	-
Balance at end of the period	84	131	252	467
Individual provision				
Balance at beginning of the period	62	9	91	162
New and increased provisions net of write-backs	(8)	48	23	63
Bad debts written off	(3)	(50)	(29)	(82)
Discount unwind	(2)	-	(4)	(6)
Balance at end of the period	49	7	81	137
Total provision for credit impairment	133	138	333	604
Unaudited 31/03/2015				
Collective provision				
Balance at beginning of the period	91	118	255	464
Release to income statement	(1)	(1)	(4)	(6)
Balance at end of the period	90	117	251	458
Individual provision				
Balance at beginning of the period	81	15	128	224
New and increased provisions net of write-backs	(2)	41	10	49
Bad debts written off	(2)	(44)	(21)	(67)
Discount unwind	(2)	-	(3)	(5)
Balance at end of the period	75	12	114	201
Total provision for credit impairment	165	129	365	659
Audited 30/09/2015				
Collective provision				
Balance at beginning of the year	91	118	255	464
Charge / (release) to income statement	(4)	9	(2)	3
Balance at end of the year	87	127	253	467
Individual provision				
Balance at beginning of the year	81	15	128	224
New and increased provisions net of write-backs	(3)	88	17	102
Bad debts written off	(10)	(94)	(54)	(158)
Discount unwind	(6)	-	-	(6)
Balance at end of the year	62	9	91	162
Total provision for credit impairment	149	136	344	629

NOTES TO THE FINANCIAL STATEMENTS

6. IMPAIRED ASSETS AND PAST DUE ASSETS

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/03/2016				
Balance at beginning of the period	119	32	253	404
Transfers from productive	40	67	107	214
Transfers to productive	(23)	(3)	(4)	(30)
Assets realised or loans repaid	(47)	(15)	(113)	(175)
Write offs	(3)	(50)	(29)	(82)
Total impaired assets	86	31	214	331
Undrawn facilities with impaired customers	-	-	12	12
Unaudited 31/03/2015				
Balance at beginning of the period	223	35	410	668
Transfers from productive	56	61	59	176
Transfers to productive	(51)	(4)	(33)	(88)
Assets realised or loans repaid	(69)	(13)	(105)	(187)
Write offs	(2)	(44)	(21)	(67)
Total impaired assets	157	35	310	502
Undrawn facilities with impaired customers	1	-	19	20
Audited 30/09/2015				
Balance at beginning of the year	223	35	410	668
Transfers from productive	121	126	155	402
Transfers to productive	(80)	(7)	(46)	(133)
Assets realised or loans repaid	(135)	(28)	(212)	(375)
Write offs	(10)	(94)	(54)	(158)
Total impaired assets	119	32	253	404
Undrawn facilities with impaired customers	1	-	14	15

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

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

Ageing analysis of loans that are past due but not impaired

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/03/2016				
1 to 5 days	354	124	457	935
6 to 29 days	275	92	77	444
1 to 29 days	629	216	534	1,379
30 to 59 days	173	37	120	330
60 to 89 days	133	21	2	156
90 days or over	136	33	51	220
	1,071	307	707	2,085

NOTES TO THE FINANCIAL STATEMENTS

7. ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES

	Carrying Amount		
	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
	NZ\$m	NZ\$m	NZ\$m
Cash collateral given on derivative financial instruments	2,114	2,123	1,929
Securities sold under agreements to repurchase	140	43	47
Residential mortgages pledged as security for covered bonds	10,065	7,010	7,547
Assets pledged as collateral for UDC secured investments	2,571	2,423	2,441
Total financial assets pledged as collateral	14,890	11,599	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.

ANZ New Zealand continues to recognise the assets of the Covered Bond Trust on its balance sheet as, although they are pledged as security for covered bonds, the Bank retains substantially all the risks and rewards of ownership.

8. DEPOSITS AND OTHER BORROWINGS

	Note	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
		NZ\$m	NZ\$m	NZ\$m
Term deposits		37,574	34,855	34,982
On demand and short term deposits		43,569	37,591	41,436
Deposits not bearing interest		7,268	6,263	6,716
UDC secured investments	7	1,737	1,629	1,736
Total customer deposits		90,148	80,338	84,870
Certificates of deposit		1,859	1,462	745
Commercial paper		5,451	6,273	4,964
Deposits from banks		140	43	47
Borrowings from Ultimate Parent Bank and Immediate Parent Company		8,228	8,843	9,110
Total deposits and other borrowings		105,826	96,959	99,736

9. DEBT ISSUANCES

	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
	NZ\$m	NZ\$m	NZ\$m
Domestic bonds	4,000	3,325	3,525
U.S. medium term notes ¹	5,944	6,138	6,831
Euro medium term notes ¹	2,535	3,711	3,598
Covered bonds ¹	4,961	4,382	5,335
Index linked notes	36	35	35
Total debt issuances	17,476	17,591	19,324
Fair value hedge adjustment	206	148	175
Less debt issuances held by the Bank	(135)	(53)	(96)
Total debt issuances	17,547	17,686	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 ANZ New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

10. SUBORDINATED DEBT

	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
	NZ\$m	NZ\$m	NZ\$m
ANZ Capital Notes¹			
AUD 970m ANZ Capital Notes 3 (ANZ CN3) ²	1,063	973	1,052
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN) ³	495	494	494
Perpetual subordinated debt			
NZD 835m perpetual subordinated bond ³	835	835	835
AUD 10m perpetual subordinated floating rate loan	11	10	11
Dated subordinated debt			
AUD 265m subordinated floating rate loan	294	270	291
Total subordinated debt issued	2,698	2,582	2,683
Less subordinated debt instruments held by the Bank	-	(1)	-
Total subordinated debt	2,698	2,581	2,683

¹ These instruments qualify as additional tier 1 capital of the Overseas Banking Group.

² These instruments are listed on the Australian Stock Exchange.

³ 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).

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

ANZ Capital Notes

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

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

As at 31 March 2016 ANZ NZ CN carried a BBB- credit rating from Standard and Poor's.

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

Distributions and interest

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

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

aggregate of the New Zealand 3 month bank bill rate plus a 350 basis point margin.

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

Conversion features

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

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

If a common equity capital trigger event, an APRA non-viability trigger event or an RBNZ non-viability trigger event (as defined in the RBNZ document Capital Adequacy Framework (Internal Models Based Approach) (BS2B)) (ANZ NZ CN only) occurs, some or all of the notes will be required to be immediately converted into ordinary shares of the Ultimate Parent Bank, subject to a maximum conversion number.

A common equity capital trigger event occurs if the:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Rights of holders in event of liquidation

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

Perpetual subordinated debt

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

NZD 835,000,000 bond

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

The Bank may elect to redeem the bond on 18 April 2018 (the Call Date) or any interest payment date subsequent to 18 April 2018. Interest is payable semi-annually in arrears on 18 April and 18 October each year, up to and including the Call Date and then quarterly thereafter. Should the bond not be called at the Call Date, the Coupon Rate from the Call Date onwards will be based on a floating rate equal to the aggregate of the 3 month bank bill rate plus a 300 basis point margin.

As at 31 March 2016, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

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

AUD 10,000,000 loan

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

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

Dated subordinated debt

AUD 265,017,668 loan

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

11. RELATED PARTY BALANCES

	Unaudited	Unaudited	Audited
	31/03/2016	31/03/2015	30/09/2015
	NZ\$m	NZ\$m	NZ\$m
Total due from related parties	5,368	2,975	4,179
Total due to related parties	13,945	13,191	14,093

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

Basel III capital ratios

Unaudited	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	31/03/2016	31/03/2015	30/09/2015	31/03/2016	31/03/2015	30/09/2015
Common equity tier 1 capital	9.8%	8.7%	9.6%	10.2%	8.8%	9.6%
Tier 1 capital	11.6%	10.6%	11.3%	12.2%	10.9%	11.6%
Total capital	13.7%	12.6%	13.3%	14.4%	13.1%	13.7%

For calculation of minimum capital requirements under Pillar 1 (Capital Requirements) of the Basel Accord, APRA has accredited the Overseas Banking Group to use the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets and the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 31 March 2016 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2016. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2016, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ document BS2B.

	Implied risk weighted exposure	Notional capital charge
	NZ\$m	NZ\$m
Unaudited 31/03/2016		
Interest rate risk	7,372	590
Foreign currency risk	71	6
Equity risk	2	-
	7,445	596

Residential mortgages by loan-to-valuation ratio

As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by ANZ New Zealand's valuation of the security property at origination of the exposure. Off balance sheet exposures include undrawn and partially drawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which have been accepted by the customer.

Unaudited	31/03/2016		Total NZ\$m
	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	
LVR range			
Does not exceed 60%	26,256	4,348	30,604
Exceeds 60% and not 70%	14,051	1,452	15,503
Exceeds 70% and not 80%	19,853	1,877	21,730
Does not exceed 80%	60,160	7,677	67,837
Exceeds 80% and not 90%	5,273	223	5,496
Exceeds 90%	2,419	251	2,670
Total	67,852	8,151	76,003

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of mortgage related amounts

	Note	Unaudited 31/03/2016 NZ\$m
Term loans - housing	4	70,607
Less: fair value hedging adjustment		(233)
Less: housing loans made to corporate customers		(2,522)
On-balance sheet retail mortgage exposures	12	67,852
Add: off-balance sheet retail mortgage exposures		8,151
Total retail mortgage exposures as per LVR analysis	12	76,003

13. FINANCIAL RISK MANAGEMENT

Concentrations of credit risk

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

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

Unaudited 31/03/2016	Cash, settlements receivable and collateral paid	Trading securities and available-for- sale assets	Derivative financial instruments	Net loans and advances ³	Other financial assets	Credit related commitments ⁴	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Industry							
Agriculture	-	-	23	18,416	71	1,481	19,991
Forestry, fishing and mining	-	-	37	882	3	906	1,828
Business and property services	-	-	46	11,172	43	2,874	14,135
Construction	-	-	17	1,469	6	844	2,336
Entertainment, leisure and tourism	-	-	31	1,256	5	244	1,536
Finance and insurance	3,703	7,681	18,792	1,347	383	1,164	33,070
Government and local authority ¹	1,785	6,965	1,111	1,180	5	1,213	12,259
Manufacturing	-	34	212	3,173	12	2,209	5,640
Personal lending	-	-	-	71,981	252	19,499	91,732
Retail trade	-	-	58	1,909	7	949	2,923
Transport and storage	-	4	89	1,672	6	731	2,502
Wholesale trade	-	-	22	1,419	6	1,447	2,894
Other ²	-	60	664	2,067	8	1,755	4,554
	5,488	14,744	21,102	117,943	807	35,316	195,400
Less: Provision for credit impairment	-	-	-	(525)	-	(79)	(604)
Less: Unearned income	-	-	-	(215)	-	-	(215)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	346	-	-	346
Total financial assets	5,488	14,744	21,102	117,549	807	35,237	194,927
Geography							
New Zealand	3,184	9,538	3,713	114,882	797	35,074	167,188
Overseas	2,304	5,206	17,389	2,667	10	163	27,739
Total financial assets	5,488	14,744	21,102	117,549	807	35,237	194,927

¹ Government and local authority includes exposures to government administration and defence, education and health and community services.

² Other includes exposures to electricity, gas and water, communications and personal services.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Interest rate sensitivity gap

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

Unaudited 31/03/2016	Total NZ\$m	Up to 3 months NZ\$m	Over 3 to 6 months NZ\$m	Over 6 to 12 months NZ\$m	Over 1 to 2 years NZ\$m	Over 2 years NZ\$m	Not bearing interest NZ\$m
Assets							
Cash	2,830	2,566	-	-	-	-	264
Settlement balances receivable	544	121	-	-	-	-	423
Collateral paid	2,114	2,114	-	-	-	-	-
Trading securities	12,499	1,185	412	492	3,428	6,982	-
Derivative financial instruments	21,102	-	-	-	-	-	21,102
Available-for-sale assets	2,245	1,794	171	30	160	88	2
Net loans and advances	117,470	63,246	9,269	16,574	20,639	8,209	(467)
Other financial assets	807	-	-	177	13	-	617
Total financial assets	159,611	71,026	9,852	17,273	24,240	15,279	21,941
Liabilities							
Settlement balances payable	1,704	785	-	-	-	-	919
Collateral received	919	919	-	-	-	-	-
Deposits and other borrowings	105,826	75,380	10,949	8,612	2,216	1,401	7,268
Derivative financial instruments	22,548	-	-	-	-	-	22,548
Debt issuances	17,547	3,703	300	1,231	3,927	8,386	-
Subordinated debt	2,698	-	1,368	-	-	1,330	-
Payables and other liabilities	1,311	142	-	-	20	628	521
Total financial liabilities	152,553	80,929	12,617	9,843	6,163	11,745	31,256
Hedging instruments	-	12,038	5,023	(3,233)	(14,574)	746	-
Interest sensitivity gap	7,058	2,135	2,258	4,197	3,503	4,280	(9,315)

Liquidity portfolio

ANZ New Zealand holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of ANZ New Zealand's liquidity portfolio is based on the amount required to meet its liquidity policy and includes both items classified as cash and those classified as operating assets in the Condensed Cash Flow Statement.

	Unaudited 31/03/2016 NZ\$m
Cash and balances with central banks	2,052
Certificates of deposit	378
Government, local body stock and bonds	5,932
Government treasury bills	833
Reserve Bank bills	1,082
Other bonds	6,216
Total liquidity portfolio	16,493

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\$6,482 million at 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

Funding Composition

ANZ New Zealand actively uses balance sheet disciplines to prudently manage the funding mix. ANZ New Zealand employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

Analysis of funding liabilities by industry sector is based on ANZSIC codes.

	Unaudited 31/03/2016 NZ\$m
Funding composition	
Customer deposits¹	
New Zealand	80,512
Overseas	9,636
Total customer deposits	90,148
Wholesale funding	
Debt issuances	17,547
Subordinated debt	2,698
Certificates of deposit	1,859
Commercial paper	5,451
Other borrowings	8,368
Total wholesale funding	35,923
Total funding	126,071
Concentrations of funding by industry	
Households	57,969
Agriculture	3,105
Forestry, fishing and mining	551
Manufacturing	1,791
Entertainment, leisure and tourism	1,041
Finance and insurance	45,169
Retail trade	1,136
Wholesale trade	1,360
Business and property services	6,835
Transport and storage	697
Construction	1,463
Government and local authority	3,186
Other ²	1,768
Total funding	126,071
Concentrations of funding by geography	
New Zealand	87,212
Australia	10,666
United States	11,236
Europe	9,740
Other countries	7,217
Total funding	126,071

¹ Comprises term deposits, other deposits bearing interest and other borrowings, deposits not bearing interest and UDC secured investments

² Other includes exposures to electricity, gas and water, communications and personal services.

NOTES TO THE FINANCIAL STATEMENTS

Contractual maturity analysis of financial assets and liabilities

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

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

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

	Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Unaudited 31/03/2016	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Financial assets							
Cash	2,830	2,049	781	-	-	-	-
Settlement balances receivable	544	143	401	-	-	-	-
Collateral paid	2,114	-	2,114	-	-	-	-
Trading securities	13,400	-	315	1,412	10,598	1,075	-
Derivative financial assets (trading)	19,665	-	19,665	-	-	-	-
Available-for-sale assets	2,266	-	1,726	213	325	-	2
Net loans and advances	153,093	191	16,081	16,688	51,987	68,146	-
Other financial assets	377	-	188	176	13	-	-
Total financial assets	194,289	2,383	41,271	18,489	62,923	69,221	2
Financial liabilities							
Settlement balances payable	1,704	1,093	611	-	-	-	-
Collateral received	919	-	919	-	-	-	-
Deposits and other borrowings	107,696	51,103	23,829	24,240	8,524	-	-
Derivative financial liabilities (trading)	19,501	-	19,501	-	-	-	-
Debt issuances	18,402	-	1,093	3,041	12,637	1,631	-
Subordinated debt	3,280	-	15	45	740	1,634	846
Other financial liabilities	1,028	-	32	23	398	575	-
Total financial liabilities	152,530	52,196	46,000	27,349	22,299	3,840	846
Derivative financial instruments used for balance sheet management							
- gross inflows	20,994	-	1,700	6,072	11,118	2,104	-
- gross outflows	(22,197)	-	(1,875)	(6,792)	(11,391)	(2,139)	-
Net financial assets / (liabilities) after balance	40,556	(49,813)	(4,904)	(9,580)	40,351	65,346	(844)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Unaudited 31/03/2016	NZ\$m	NZ\$m	NZ\$m
Non-credit related commitments	486	99	387
Credit related commitments	32,884	32,884	-
Contingent liabilities	2,432	2,432	-
Total	35,802	35,415	387

NOTES TO THE FINANCIAL STATEMENTS

14. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities not measured at fair value

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is at fair value or considered a reasonable approximation of fair value.

The fair values below have been calculated using discounted cash flow techniques where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.

	Unaudited 31/03/2016		Unaudited 31/03/2015		Audited 30/09/2015	
	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	117,470	118,018	109,031	109,395	114,376	114,899
Liabilities						
Deposits and other borrowings ²	105,826	106,021	96,959	97,136	99,736	99,947
Debt issuances ¹	17,547	17,656	17,686	17,862	19,403	19,516
Subordinated debt	2,698	2,614	2,581	2,606	2,683	2,640

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

ANZ New Zealand uses a valuation method within the following hierarchy to determine the carrying amount of assets and liabilities held at fair value, all of which are recurring fair value measurements. There are no assets or liabilities measured at fair value on a non-recurring basis.

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.
- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

There have been no substantial changes in the valuation techniques applied to different classes of financial instruments during the period.

Valuation hierarchy

	Unaudited 31/03/2016				Unaudited 31/03/2015				Audited 30/09/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Financial assets												
Trading securities	12,364	135	-	12,499	12,153	62	-	12,215	11,880	259	-	12,139
Derivative financial instruments	14	21,083	5	21,102	12	10,835	4	10,851	12	17,569	6	17,587
Available-for-sale assets	1,885	358	2	2,245	581	321	1	903	900	526	2	1,428
Investments backing insurance contract liabilities	-	189	-	189	3	207	-	210	2	149	-	151
Total financial assets held at fair value	14,263	21,765	7	36,035	12,749	11,425	5	24,179	12,794	18,503	8	31,305
Financial liabilities												
Deposits and other borrowings	-	5,451	-	5,451	-	6,273	-	6,273	-	4,964	-	4,964
Derivative financial instruments	47	22,501	-	22,548	6	13,196	2	13,204	18	17,749	2	17,769
Payables and other liabilities	760	-	-	760	221	-	-	221	309	-	-	309
Total financial liabilities held at fair value	807	27,952	-	28,759	227	19,469	2	19,698	327	22,713	2	23,042

NOTES TO THE FINANCIAL STATEMENTS

15. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

ANZ New Zealand measures its concentration of credit risk to bank counterparties on the basis of approved exposures, and to non-bank counterparties on the basis of limits.

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

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

16. INSURANCE BUSINESS

ANZ New Zealand conducts insurance business through its subsidiary OnePath Life (NZ) Limited (OnePath Life).

ANZ New Zealand's aggregate amount of insurance business comprises the total assets of OnePath Life of NZ\$943 million (31/03/2015: NZ\$958 million; 30/09/2015 NZ\$884 million), which is 0.6% (31/03/2015: 0.7%; 30/09/2015 0.6%) of the total consolidated assets of ANZ New Zealand.

17. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Face or contract value		
	Unaudited 31/03/2016 NZ\$m	Unaudited 31/03/2015 NZ\$m	Audited 30/09/2015 NZ\$m
Credit related commitments			
Commitments with certain drawdown due within one year	1,166	1,348	1,130
Commitments to provide financial services	31,718	29,092	31,063
Total credit related commitments	32,884	30,440	32,193
Guarantees and contingent liabilities			
Financial guarantees	727	906	920
Standby letters of credit	91	52	82
Transaction related contingent items	1,483	1,245	1,385
Trade related contingent liabilities	131	93	67
Total guarantees and contingent liabilities	2,432	2,296	2,454

ANZ New Zealand guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other contingent liabilities

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.

ANZ New Zealand has other contingent liabilities in respect of actual and possible claims and court proceedings.

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

NOTES TO THE FINANCIAL STATEMENTS

18. ADDITIONAL DISCLOSURES

NZ Branch Funding

	Unaudited 31/03/2016
	NZ\$m
Total liabilities of the NZ Branch less amounts due to related parties	1,121

Overseas Banking Group Profitability and Size

	Unaudited 31/03/2016
	AUDm
Profit for the six months ended 31/03/2016 ¹	2,742
Net profit after tax for the year to 31/03/2016 as a percentage of average total assets	0.76%
Total assets	895,278
Percentage change in total assets in the year to 31/03/2016	4.09%

¹ Net profit after tax for the period includes AUD 4 million of profit attributable to non-controlling interests.

Overseas Banking Group asset quality

	Unaudited 31/03/2016
	AUDm
Gross impaired assets	2,883
Gross impaired assets as a percentage of total assets	0.3%
Individual provision	1,238
Individual provision as a percentage of gross impaired assets	42.9%
Collective provision	2,862

DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- (i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014; and
- (ii) The Disclosure Statement is not false or misleading.

Over the six months ended 31 March 2016, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- (i) The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period;
- (ii) The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 30 May 2016, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.



David Gonski, AC
Chairman,
on behalf of the Directors:



Anthony Bradshaw
Chief Executive Officer – NZ Branch

Ilana Atlas
Paula Dwyer
Shayne Elliott
David Gonski, AC
Lee Hsien Yang
Graeme Liebelt
Ian Macfarlane, AC
John Macfarlane



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of Australia and New Zealand Banking Group Limited

We have reviewed pages 3 to 22 of the interim financial statements of Australia and New Zealand Banking Group Limited – ANZ New Zealand and its related entities (ANZ New Zealand) prepared and disclosed in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (the Order) and the supplementary information prescribed in Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of ANZ New Zealand and its financial position as at 31 March 2016.

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

Directors' responsibility for the disclosure statement

The Directors of Australia and New Zealand Banking Group Limited are responsible for the preparation and presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 26 of the Order which give a true and fair view of the financial position of ANZ New Zealand as at 31 March 2016 and its financial performance and cash flows for the six months ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement, whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the Disclosure Statement which fairly states the matters to which it relates in accordance with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Reviewer's responsibility

We are responsible for reviewing the interim financial statements and the supplementary information, disclosed in accordance with Clause 26, Schedules 5, 7, 9, 10, 12 and 14 of the Order and presented to us by the Directors.

Our responsibility is to express a conclusion on the interim financial statements (excluding the supplementary information) based on our review. We conducted our review in accordance with NZ SRE 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34: *Interim Financial Reporting*. As the auditor of ANZ New Zealand, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

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

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

KPMG has also provided other audit related services to ANZ New Zealand. In addition, certain partners and employees of our firm may also deal with ANZ New Zealand on normal terms within the ordinary course of trading activities of ANZ New Zealand. These matters have not impaired our independence as auditors of ANZ New Zealand. We have no other relationship with, or interest in, ANZ New Zealand.

Review opinion

We have examined the interim financial statements including the supplementary information and based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- a. the interim financial statements (excluding the supplementary information) do not present fairly, in all material respects, the financial position of ANZ New Zealand as at 31 March 2016 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34: *Interim Financial Reporting*;
- b. the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and
- c. the supplementary information relating to credit and market risk exposures and capital adequacy prescribed by Schedule 9 of the Order, is not in all material respects prepared in accordance with *Capital Adequacy Framework (Standardised Approach)* (BS2A), and disclosed in accordance with Schedule 9 of the Order.

Our review was completed on 30 May 2016 and our review opinion is expressed as at that date.

Wellington

