

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2017
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REGISTERED BANK DISCLOSURE STATEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

CONTENTS

Condensed Consolidated Interim Financial Statements

Income Statement	2
Statement of Comprehensive Income	2
Balance Sheet	3
Condensed Cash Flow Statement	4
Statement of Changes in Equity	4
Notes to the Financial Statements	5

Registered Bank Disclosures

General Disclosures	11
Additional Financial Disclosures	12
Asset Quality	13
Capital Adequacy under the Internal Models Based Approach	13
Concentration of Credit Risk to Individual Counterparties	14
Insurance Business	14

Directors' Statement	15
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GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

Banking Group, We or Our means the Bank and all its controlled entities.

Immediate Parent Company means ANZ Holdings (New Zealand) Limited.

Ultimate Parent Bank means Australia and New Zealand Banking Group Limited.

Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities.

New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand.

NZ Branch means the New Zealand business of the Ultimate Parent Bank.

ANZ New Zealand means the New Zealand business of the Overseas Banking Group.

UDC means UDC Finance Limited.

Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service.

RBNZ means the Reserve Bank of New Zealand.

APRA means the Australian Prudential Regulation Authority.

the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014.

Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

INCOME STATEMENT

For the three months ended	Note	31 Dec 17	31 Dec 16
		NZ\$m	NZ\$m
Interest income		1,593	1,551
Interest expense		808	789
Net interest income		785	762
Other operating income	2	210	168
Net funds management and insurance income		111	21
Share of associates' profit		1	1
Operating income		1,107	952
Operating expenses		386	369
Profit before credit impairment and income tax		721	583
Credit impairment charge	5	12	38
Profit before income tax		709	545
Income tax expense		199	152
Profit after income tax		510	393

STATEMENT OF COMPREHENSIVE INCOME

For the three months ended	31 Dec 17	31 Dec 16
	NZ\$m	NZ\$m
Profit after income tax	510	393
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised gains / (losses) recognised directly in equity	2	(15)
Realised losses / (gains) transferred to income statement	2	2
Income tax credit / (expense) relating to items that may be reclassified	(1)	3
Total items that may be reclassified subsequently to profit or loss	3	(10)
Total comprehensive income for the period	513	383

BALANCE SHEET

As at	Note	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Assets			
Cash		3,273	2,338
Settlement balances receivable		270	536
Collateral paid		1,734	1,415
Trading securities		9,625	7,663
Investments backing insurance contract liabilities		135	123
Derivative financial instruments		8,801	9,878
Available-for-sale assets		6,293	6,360
Net loans and advances	4	121,454	117,627
UDC assets held for sale	11	-	3,065
Other assets		753	683
Life insurance contract assets		668	636
Investments in associates		7	7
Premises and equipment		363	367
Goodwill and other intangible assets		3,405	3,275
Total assets		156,781	153,973
Liabilities			
Settlement balances payable		1,860	1,840
Collateral received		383	613
Deposits and other borrowings	7	106,356	101,657
Derivative financial instruments		9,378	9,826
Current tax liabilities		66	39
Deferred tax liabilities		204	187
UDC liabilities held for sale	11	-	1,088
Payables and other liabilities		1,350	1,151
Employee entitlements		126	119
Other provisions		61	66
Debt issuances	8	23,703	24,606
Total liabilities		143,487	141,192
Net assets		13,294	12,781
Equity			
Share capital		8,888	8,888
Reserves		51	48
Retained earnings		4,355	3,845
Total equity		13,294	12,781

CONDENSED CASH FLOW STATEMENT

For the three months ended	31 Dec 17 NZ\$m	31 Dec 16 NZ\$m
Cash flows from operating activities		
Interest received	1,591	1,549
Interest paid	(750)	(772)
Other cash inflows provided by operating activities	224	221
Other cash outflows used in operating activities	(596)	(543)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	469	455
Net changes in operating assets and liabilities	1,540	2,740
Net cash flows provided by operating activities	2,009	3,195
Cash flows from investing activities		
Cash outflows used in investing activities	(14)	(15)
Net cash flows used in investing activities	(14)	(15)
Cash flows from financing activities		
Cash inflows provided by financing activities	375	250
Cash outflows used in financing activities	(1,512)	(2,448)
Net cash flows used in financing activities	(1,137)	(2,198)
Net increase in cash and cash equivalents	858	982
Cash and cash equivalents at beginning of the period	2,439	2,315
Cash and cash equivalents at end of the period	3,297	3,297

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 2016	8,888	-	62	3,760	12,710
Profit after income tax	-	-	-	393	393
Unrealised gains / (losses) recognised directly in equity	-	7	(22)	-	(15)
Realised losses transferred to the income statement	-	-	2	-	2
Income tax credit / (expense) on items recognised directly in equity	-	(2)	5	-	3
Total comprehensive income for the period	-	5	(15)	393	383
As at 31 December 2016	8,888	5	47	4,153	13,093
As at 1 October 2017	8,888	5	43	3,845	12,781
Profit after income tax	-	-	-	510	510
Unrealised gains / (losses) recognised directly in equity	-	15	(13)	-	2
Realised losses transferred to the income statement	-	-	2	-	2
Income tax credit / (expense) on items recognised directly in equity	-	(4)	3	-	(1)
Total comprehensive income for the period	-	11	(8)	510	513
As at 31 December 2017	8,888	16	35	4,355	13,294

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements for the Banking Group have been prepared in accordance with the requirements of the Reserve Bank of New Zealand Act 1989, and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2017.

These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013
- NZ IAS 34 *Interim Financial Reporting* and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities
- IAS 34 *Interim Financial Reporting*.

Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments
- available-for-sale financial assets
- financial instruments held for trading
- financial instruments designated at fair value through profit and loss.

Changes in accounting policies

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the previous full year financial statements.

Presentation currency and rounding

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

Comparatives

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

Principles of consolidation

The financial statements consolidate the financial statements of the Bank and its subsidiaries.

2. OTHER OPERATING INCOME

For the three months ended	31 Dec 17 NZ\$m	31 Dec 16 NZ\$m
i) Net fee and commission income	105	105
ii) Other income		
Net trading gains	60	55
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	13	(16)
Net foreign exchange earnings and other financial instruments income	73	39
Derivative valuation adjustments	5	17
Loss on sale of mortgages to NZ Branch	(1)	(1)
Insurance proceeds	20	-
Other	8	8
Other income	105	63
Total other operating income	210	168

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.

Segment reporting has been updated to reflect 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 a full range of banking and wealth management services to consumer, private banking and small business banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.

Commercial

Commercial provides a full range of banking services including traditional relationship banking and sophisticated financial solutions (including asset financing) through dedicated managers focusing on privately owned medium to large enterprises and the agriculture business segment.

Institutional

The Institutional division services global institutional and business customers across three products sets: Transaction Banking, Loans & Specialised Finance and Markets.

- Transaction Banking provides working capital and liquidity solutions including documentary trade, supply chain financing as well as cash management solutions, deposits, payments and clearing.
- Loans & Specialised Finance provides loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance, structured trade and asset finance, and corporate advisory.
- Markets provide risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions in addition to managing the Banking Group's interest rate exposure and liquidity position.

Other

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

	Retail NZ\$m	Commercial NZ\$m	Institutional NZ\$m	Other NZ\$m	Total NZ\$m
3 months ended 31 December 2017					
External revenues	679	452	180	(204)	1,107
Intersegment revenues ¹	(62)	(206)	(3)	271	-
Total revenues	617	246	177	67	1,107
Profit after income tax	247	133	92	38	510

3 months ended 31 December 2016

External revenues	668	457	189	(362)	952
Intersegment revenues ¹	(70)	(227)	-	297	-
Total revenues	598	230	189	(65)	952
Profit / (loss) after income tax	247	99	98	(51)	393

Other segment

Other segment profit / (loss) after income tax comprises:

	31 Dec 17 NZ\$m	31 Dec 16 NZ\$m
For the three months ended		
Central functions ²	15	(2)
Technology and Group Centre	5	10
Economic hedges	6	(11)
Revaluation of insurance policies	12	(48)
Total	38	(51)

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

² Central functions' external revenues for the three months to 31 December 2017 includes the \$20 million insurance proceeds (note 2) that were received from a member of the Overseas Banking Group.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

	Note	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Overdrafts		778	1,040
Credit cards		1,727	1,638
Term loans - housing		73,506	72,524
Term loans - non-housing		44,251	44,227
Finance lease and hire purchase receivables		1,664	1,577
Subtotal		121,926	121,006
Unearned income		(253)	(222)
Capitalised brokerage/mortgage origination fees		323	334
Gross loans and advances (including assets classified as held for sale)		121,996	121,118
Less: Provision for credit impairment	5	(542)	(579)
Net loans and advances (including assets classified as held for sale)		121,454	120,539
Less: UDC net loans and advances held for sale	11	-	(2,912)
Net loans and advances		121,454	117,627

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$3,867 million as at 31 December 2017 (30 September 2017: NZ\$4,337 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. PROVISION FOR CREDIT IMPAIRMENT

Provision for credit impairment - balance sheet

	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Individual provision	125	152
Collective provision	417	427
Total provision for credit impairment	542	579

Credit impairment charge - income statement

	31 Dec 17 NZ\$m	31 Dec 16 NZ\$m
For the three months ended		
New and increased provisions	40	74
Write-backs	(12)	(15)
Recoveries of amounts previously written-off	(6)	(6)
Individual credit impairment charge	22	53
Collective credit impairment release	(10)	(15)
Total credit impairment charge	12	38

6. IMPAIRED AND PAST DUE LOANS

	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Loans that are at least 90 days past due but not impaired	190	182
Impaired loans	322	357

NOTES TO THE FINANCIAL STATEMENTS

7. DEPOSITS AND OTHER BORROWINGS

	Note	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Term deposits		47,445	45,457
On demand and short term deposits		42,000	41,451
Deposits not bearing interest		9,952	8,882
UDC secured investments		972	1,039
Total customer deposits		100,369	96,829
Certificates of deposit		1,585	1,916
Deposits from banks and securities sold under repurchase agreements		952	157
Commercial paper		3,389	3,721
Deposits from Ultimate Parent Bank and other members of ANZ New Zealand		61	73
Deposits and other borrowings (including liabilities classified as held for sale)		106,356	102,696
Less: UDC secured investments held for sale	11	-	(1,039)
Deposits and other borrowings		106,356	101,657

8. DEBT ISSUANCES

	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Senior debt	16,223	16,008
Covered bonds	4,196	5,315
Total unsubordinated debt	20,419	21,323
Subordinated debt		
- Additional Tier 1 capital	2,438	2,438
- Basel III transitional subordinated bonds	835	835
- Other	11	10
Total subordinated debt	3,284	3,283
Total debt issued	23,703	24,606

Covered bonds 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 Trust). The Covered Bond Trust is a member of the Banking Group, whereas the Covered Bond Guarantor is not a member of the Banking Group.

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 the Covered Bond Guarantor 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.

NOTES TO THE FINANCIAL STATEMENTS

9. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities measured at fair value in the balance sheet

The Banking Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by NZ IFRS 13 *Fair Value Measurement* based on the observability of inputs used to measure fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly. Modelled valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics; and or/current market yields for similar instruments.
- Level 3 – valuations using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

We deem transfers into and out of Level 1 and Level 2 to have occurred as at the beginning of the reporting period in which the transfer occurred.

The table below summarises the attribution of financial instruments carried at fair value to the fair value hierarchy:

	31 Dec 17				30 Sep 17			
	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	7,163	2,462	-	9,625	7,276	387	-	7,663
Derivative financial instruments	3	8,795	3	8,801	5	9,870	3	9,878
Available-for-sale assets	5,511	781	1	6,293	5,336	1,023	1	6,360
Investments backing insurance contract liabilities	-	135	-	135	-	123	-	123
Total financial assets held at fair value	12,677	12,173	4	24,854	12,617	11,403	4	24,024
Financial liabilities								
Deposits and other borrowings	-	3,389	-	3,389	-	3,721	-	3,721
Derivative financial instruments	27	9,351	-	9,378	24	9,801	1	9,826
Payables and other liabilities	342	-	-	342	151	-	-	151
Total financial liabilities held at fair value	369	12,740	-	13,109	175	13,522	1	13,698

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.

	31 Dec 17		30 Sep 17	
	Carrying amount NZ\$m	Fair value NZ\$m	Carrying amount NZ\$m	Fair value NZ\$m
Assets				
Net loans and advances ^{1,2}	121,454	121,553	120,539	120,588
Liabilities				
Deposits and other borrowings ^{2,3}	102,967	103,022	98,975	99,030
Debt issuances ¹	23,703	24,189	24,606	25,018

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 Amounts for 30 September 2017 include UDC items classified as held for sale.

³ Excludes commercial paper (note 7) designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

10. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Contract amount of:		
Credit related commitments - facilities provided		
Undrawn facilities	27,679	26,769
Guarantees and contingent liabilities		
Guarantees and letters of credit	991	1,010
Performance related contingencies	1,769	1,598
Total guarantees and contingent liabilities	2,760	2,608
Total credit related commitments, guarantees and contingent liabilities	30,439	29,377

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

Other contingent liabilities

The Banking Group has other contingent liabilities in respect of actual and possible claims and court proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where deemed necessary.

11. ASSETS AND LIABILITIES HELD FOR SALE

On 11 January 2017, the Bank announced that it had entered into a conditional agreement to sell UDC to HNA Group (HNA). On 21 December 2017, the Bank announced that it had been informed that New Zealand's Overseas Investment Office had declined HNA's application to acquire UDC and the agreement with HNA was terminated in January 2018. As a result, the assets and liabilities of UDC were not classified as held for sale as at 31 December 2017.

12. SUBSEQUENT EVENTS

On 17 January 2018, the Bank entered into an agreement to sell its 25% shareholding in Paymark Limited (Paymark) to Ingenico Group for NZ\$47.5 million. The carrying amount of the Banking Group's investment in Paymark at 31 December 2017 was NZ\$7 million and is included in Investments in Associates on the balance sheet. The transaction is subject to regulatory consents.

On 9 February 2018, the Bank's Board resolved to:

- pay a preference dividend of NZ\$6 million no later than 6 March 2018 and
- repay an NZ\$835m perpetual subordinated bond on 18 April 2018. This bond previously qualified as transitional tier 2 capital under the RBNZ's Basel III capital requirements.

REGISTERED BANK DISCLOSURES

This Disclosure Statement has been issued in accordance with the Order.

B1. GENERAL DISCLOSURES

Guarantors

The Bank has guaranteed the payment of interest and principal of covered bonds issued by its subsidiary ANZ New Zealand (Int'l) Limited. This obligation is 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's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations. The covered bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Refer to page 8 for further details, and to page 12 for the amount of assets of the ANZ Covered Bond Trust pledged as security for covered bonds.

No other material obligations of the Bank are guaranteed as at 19 February 2018.

Changes in the Bank's Board of Directors

As at 19 February 2018 there have been changes to the Directors of the Bank since 30 September 2017, the balance date of the last full year disclosure statement. These changes were:

- The Rt Hon. Sir John Phillip Key, GNZM, AC was appointed as a Non-Executive Director on 18 October 2017 and was appointed Chair of the Board of Directors on 1 January 2018.
- John Judge retired as a Non-Executive Director on 31 December 2017.

Changes to Conditions of Registration

The conditions of registration applying to the Bank were amended on 1 October 2017 to refer to a revised version of the RBNZ Banking Supervision Handbook document *Outsourcing Policy* (BS11) which includes changes to outsourcing arrangements.

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

Credit rating information

The Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations.

The Bank's credit ratings are:

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

Financial support

APRA has reviewed the level of financial 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 base can comprise non-equity exposures to its New Zealand operations during ordinary times. Exposures in excess of this limit as at 1 January 2016 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 mortgages into the NZ Branch to provide funding for the Bank's business. As at 31 December 2017, the NZ Branch held approximately NZ\$3.9 billion of residential mortgages. To satisfy APRA's requirements described above, the Bank intends to repay this funding at approximately NZ\$1.6 billion per annum over the transition period ending 31 December 2020.

APRA has also stated 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 the Ultimate Parent Bank's exposures to the Bank and its other New Zealand operations must not exceed 50% of the Ultimate Parent Bank's Level 1 Tier 1 capital base. At present, only covered bonds meet APRA's criteria for contingent funding. On this basis, the Ultimate Parent Bank believes it will be able to continue to provide financial support to the Bank.

Further, from 1 July 2017, APRA's Level 3 Conglomerates regulations became effective which limit the financial and operational assistance the Ultimate Parent Bank can provide the Bank. These requirements are not expected to place additional restrictions on the Ultimate Parent Bank's ability to provide financial or operational support to the Bank.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

As at 31 December 2017	NZ\$m
Total interest earning and discount bearing assets	142,695
Total interest and discount bearing liabilities	121,429
Total amounts due from related entities	3,733
Total amounts due to related entities	5,275

Assets charged as security for liabilities

These amounts exclude the amounts disclosed as collateral paid in the balance sheet that relate to derivative liabilities. The terms and conditions of the collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

Assets charged as security for liabilities include the following types of instruments:

- Securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements.
- UDC secured investments are secured by a security interest granted under the trust deed over all of UDC's present and future assets and undertakings, to Trustees Executors Limited, as supervisor. The assets subject to the security interest comprise mainly loans to UDC's customers and certain plant and equipment. The security interest secures all amounts payable by UDC on the UDC secured investments and all other moneys payable by UDC under the trust deed.
- Specified residential mortgages provided as security for notes and bonds issued to investors as part of the Bank's covered bond programme.

The amortised cost of assets pledged as security are as follows:

As at 31 December 2017	Note	NZ\$m
Securities sold under agreements to repurchase		933
Residential mortgages pledged as security for covered bonds	8	10,592
Assets pledged as collateral for UDC secured investments		3,086

Additional information on the income statement

The amounts of net trading gains or losses and other fair value adjustments are included in note 2 to the financial statements. The Banking Group does not have any loans and advances designated at fair value through profit or loss. Other operating income for the purposes of the Order comprises Net fee and commission income, Insurance proceeds and Other (all in note 2), Net funds management and insurance income and Share of associates' profit (both shown on the income statement).

Additional information on liquidity risk

The Banking Group holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity scenario metrics.

As at 31 December 2017	NZ\$m
Cash and balances with central banks	2,222
Certificates of deposit	419
Government, local body stock and bonds	5,961
Government treasury bills	1,015
Reserve Bank bills	1,542
Other bonds	6,163
Total liquidity portfolio	17,322

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\$6,683 million at 31 December 2017.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY

End of period balances

	Retail mortgages	Other retail exposures	Non-retail exposures	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
As at 31 December 2017				
Total impaired assets	30	20	272	322
Individual provision	22	7	96	125
Collective provision	77	122	218	417
Loans that are at least 90 days past due but not impaired	129	32	29	190

Charges to the income statement

	Retail mortgages	Other retail exposures	Non-retail exposures	Total
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
3 months ended 31 December 2017				
Individual credit impairment charge / (release)	(2)	14	10	22
Collective credit impairment charge / (release)	2	1	(13)	(10)
Credit impairment charge / (release)	-	15	(3)	12

Asset quality for assets designated at fair value

The Banking Group does not have any loans and advances designated at fair value through profit or loss.

B4. CAPITAL ADEQUACY UNDER THE INTERNAL MODELS BASED APPROACH

RBNZ Basel III capital ratios

	RBNZ minimum ratios	Ratio
As at 31 December 2017		
Common equity tier 1 capital	4.5%	11.3%
Tier 1 capital	6.0%	14.7%
Total capital	8.0%	15.0%
Buffer ratio	2.5%	6.8%

Capital

	Before deductions	Deductions	Total
	NZ\$m	NZ\$m	NZ\$m
As at 31 December 2017			
Common equity tier 1 capital	12,994	(3,734)	9,260
Additional tier 1 capital	2,797	(18)	2,779
Total tier 1 capital			12,039
Tier 2 capital	835	(601)	234
Total capital			12,273

Capital structure

There have been no capital instruments issued since the reporting date for the last disclosure statement. Common equity tier 1 capital includes the Available-for-sale revaluation reserve of NZ\$ 16 million and Additional tier 1 capital includes retained earnings of the Bonus Bonds Scheme of NZ\$38 million (NZ\$56 million less NZ\$18 million deduction) as at 31 December 2017.

REGISTERED BANK DISCLOSURES

Capital requirements

As at 31 December 2017	NZ\$m
Corporate exposures	2,249
Sovereign exposures	11
Bank exposures	253
Retail mortgage exposures	1,348
Other retail exposures	697
Exposures subject to internal ratings based approach	4,558
Specialised lending exposures subject to slotting approach	843
Exposures subject to standardised approach	37
Equity exposures	3
Other exposures	137
Total credit risk ¹	5,578
Operational risk	464
Market risk	350
Agri business supervisory adjustment	139
Total capital requirements	6,531

¹ The calculation of capital requirements for total credit risk includes a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Additional mortgage information

As required by the RBNZ, loan-to-valuation ratios (LVR) 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.

As at 31 December 2017	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
LVR range			
Does not exceed 60%	34,482	5,394	39,876
Exceeds 60% and not 70%	16,152	1,361	17,513
Exceeds 70% and not 80%	16,633	1,146	17,779
Does not exceed 80%	67,267	7,901	75,168
Exceeds 80% and not 90%	2,506	126	2,632
Exceeds 90%	1,416	185	1,601
Total retail mortgage exposures	71,189	8,212	79,401

Capital for other material risks

The Banking Group's internal capital allocation for other material risks is NZ\$410 million. The risks covered by this include risks arising from pensions, insurance, strategic equity, fixed assets, deferred acquisition costs, value in-force, business retention and software.

B5. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

The Banking Group measures its concentration of credit risk to individual counterparties at the reporting date on the basis of actual exposures. Peak end-of-day aggregate credit exposures are measured on the basis of internal limits that were not materially exceeded between the reporting date for the previous disclosure statement and the reporting date for the Disclosure Statement. As required by the Order, this credit exposure information excludes exposures to connected persons, central government of any country and any bank with a long term credit rating of A- or A3 or above, or its equivalent.

For the three months ended 31 December 2017 there were no individual counterparties where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of equity as at the end of the period.

B6. 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\$966 million, which is 0.6% of the total consolidated assets of the Banking Group.

DIRECTORS' STATEMENT

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

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

Over the three months ended 31 December 2017, after due enquiry, each Director believes that:

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

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 19 February 2018.

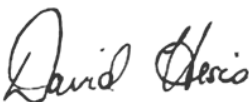
Antony Carter



Shayne Elliott



David Hisco



The Rt Hon. Sir John Key, GNZM, AC



Mark Verbiest



Nigel Williams



Joan Withers



