

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
- ANZ NEW ZEALAND
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

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GLOSSARY OF TERMS

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

Bank means ANZ Bank New Zealand Limited.

Banking Group means the Bank and all its controlled entities.

Immediate Parent Company means ANZ Funds Pty Limited, which is the immediate parent company of 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, We or Our means the New Zealand business of the Overseas Banking Group.

UDC means UDC Finance Limited.

Registered Office is Level 10, 171 Featherston Street, Wellington, New Zealand, which is also ANZ New Zealand'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 (Overseas 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		1,639	1,619
Interest expense		846	846
Net interest income		793	773
Other operating income	2	215	170
Net funds management and insurance income		111	21
Share of associates' profit		1	1
Operating income		1,120	965
Operating expenses		386	369
Profit before credit impairment and income tax		734	596
Credit impairment charge	5	11	37
Profit before income tax		723	559
Income tax expense		203	156
Profit after income tax		520	403

STATEMENT OF COMPREHENSIVE INCOME

For the three months ended	31 Dec 17	31 Dec 16
	NZ\$m	NZ\$m
Profit after income tax	520	403
<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	523	393

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		8,729	9,749
Available-for-sale assets		6,293	6,360
Net loans and advances	4	125,329	121,968
UDC assets held for sale	11	-	3,065
Other assets		752	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		160,583	158,185
Liabilities			
Settlement balances payable		1,728	1,687
Collateral received		383	613
Deposits and other borrowings	7	112,294	108,013
Derivative financial instruments		9,403	9,894
Current tax liabilities		74	45
Deferred tax liabilities		208	189
UDC liabilities held for sale	11	-	1,088
Payables and other liabilities		1,361	1,161
Employee entitlements		126	119
Other provisions		61	66
Debt issuances	8	23,109	23,997
Total liabilities (excluding head office account)		148,747	146,872
Net assets (excluding head office account)		11,836	11,313
Equity			
Share capital and initial head office account		8,055	8,055
Reserves		51	48
Retained earnings		3,730	3,210
Total equity and initial head office account		11,836	11,313

CONDENSED CASH FLOW STATEMENT

	31 Dec 17	31 Dec 16
	NZ\$m	NZ\$m
For the three months ended		
Cash flows from operating activities		
Interest received	1,637	1,618
Interest paid	(784)	(825)
Other cash inflows provided by operating activities	225	221
Other cash outflows used in operating activities	(599)	(544)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	479	470
Net changes in operating assets and liabilities	1,530	2,725
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 and initial 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 2016	8,055	-	62	3,050	11,167
Profit after income tax	-	-	-	403	403
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)	403	393
As at 31 December 2016	8,055	5	47	3,453	11,560
As at 1 October 2017	8,055	5	43	3,210	11,313
Profit after income tax	-	-	-	520	520
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)	520	523
As at 31 December 2017	8,055	16	35	3,730	11,836

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements for ANZ New Zealand have been prepared in accordance with the requirements of the Reserve Bank of New Zealand Act 1989, and should be read in conjunction with ANZ New Zealand'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 ANZ New Zealand 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 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.

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	102	101
ii) Other income		
Net trading gains	59	55
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	21	(11)
Net foreign exchange earnings and other financial instruments income	80	44
Derivative valuation adjustments	5	17
Insurance proceeds	20	-
Other	8	8
Other income	113	69
Total other operating income	215	170

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT ANALYSIS

ANZ New Zealand 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 ANZ New Zealand'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 ANZ New Zealand'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	726	452	177	(235)	1,120
Intersegment revenues ¹	(94)	(206)	-	300	-
Total revenues	632	246	177	65	1,120
Profit after income tax	258	133	92	37	520

3 months ended 31 December 2016

External revenues	738	457	181	(411)	965
Intersegment revenues ¹	(128)	(227)	8	347	-
Total revenues	610	230	189	(64)	965
Profit / (loss) after income tax	256	99	98	(50)	403

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	(1)	8
Economic hedges	11	(8)
Revaluation of insurance policies	12	(48)
Total	37	(50)

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		77,383	76,870
Term loans - non-housing		44,251	44,227
Finance lease and hire purchase receivables		1,664	1,577
Subtotal		125,803	125,352
Unearned income		(253)	(222)
Capitalised brokerage/mortgage origination fees		326	336
Gross loans and advances (including assets classified as held for sale)		125,876	125,466
Less: Provision for credit impairment	5	(547)	(586)
Net loans and advances (including assets classified as held for sale)		125,329	124,880
Less: UDC net loans and advances held for sale	11	-	(2,912)
Net loans and advances		125,329	121,968

5. PROVISION FOR CREDIT IMPAIRMENT

Provision for credit impairment - balance sheet

	31 Dec 17 NZ\$m	30 Sep 17 NZ\$m
Individual provision	126	154
Collective provision	421	432
Total provision for credit impairment	547	586

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	(11)	(16)
Total credit impairment charge	11	37

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	209	205
Impaired loans	325	361

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 and other borrowings from Ultimate Parent Bank and Immediate Parent Company		5,999	6,429
Deposits and other borrowings (including liabilities classified as held for sale)		112,294	109,052
Less: UDC secured investments held for sale	11	-	(1,039)
Deposits and other borrowings		112,294	108,013

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	1,553	1,541
- Basel III transitional subordinated bonds	835	835
- Other	302	298
Total subordinated debt	2,690	2,674
Total debt issued	23,109	23,997

Covered bonds 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 Trust). The Covered Bond Trust is a member of ANZ New Zealand, whereas the Covered Bond Guarantor is not a member of ANZ New Zealand.

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

ANZ New Zealand 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	8,723	3	8,729	5	9,741	3	9,749
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	12,101	4	24,782	12,617	11,274	4	23,895
Financial liabilities								
Deposits and other borrowings	-	3,389	-	3,389	-	3,721	-	3,721
Derivative financial instruments	27	9,376	-	9,403	24	9,869	1	9,894
Payables and other liabilities	342	-	-	342	151	-	-	151
Total financial liabilities held at fair value	369	12,765	-	13,134	175	13,590	1	13,766

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}	125,329	125,429	124,880	124,930
Liabilities				
Deposits and other borrowings ^{2,3}	108,905	109,170	105,331	105,564
Debt issuances ¹	23,109	23,420	23,997	24,260

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	27,429	26,520
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	30,189	29,128

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

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.

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.

REGISTERED BANK DISCLOSURES

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

B1. GENERAL DISCLOSURES

Guarantors

No material obligations of the NZ Branch are guaranteed as at 28 February 2018.

Covered bonds issued by ANZ New Zealand (Int'l) Limited, a subsidiary of the Bank, are guaranteed. Refer to page 8 for further details.

Changes in the Ultimate Parent Bank's Board of Directors

As at 28 February 2018 there has been one change to the Directors of the Ultimate Parent Bank since 30 September 2017, the balance date of the last full year disclosure statement. The Rt Hon. Sir John Phillip Key, GNZM, AC was appointed as a Non-Executive Director on 28 February 2018.

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 Negative
Moody's Investors Service	Aa3	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.

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 website anz.com.

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	146,574
Total interest and discount bearing liabilities	126,773
Total amounts due from related entities	3,661
Total amounts due to related entities	9,455
Total liabilities of the NZ Branch less amounts due to related entities	1,098

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. ANZ New Zealand 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

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 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 ANZ New Zealand to enter into repurchase transactions with a value of NZ\$6,683 million at 31 December 2017.

Overseas Banking Group profitability and size

	30 Sep 17
Net profit after tax for the year ended 30 September 2017 (AUDm) ¹	6,421
Net profit after tax for the year ended 30 September 2017 as a percentage of average total assets	0.70%
Total assets (AUDm)	897,326
Percentage change in total assets in the 12 months to 30 September 2017	-1.92%

¹ Net profit after tax for the year includes AUD 15 million of profit attributable to non-controlling interests.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY

End of period balances

As at 31 December 2017	NZ\$m
Total impaired assets	325
Individual provision	126
Collective provision	421
Loans that are at least 90 days past due but not impaired	209

Charges to the income statement

3 months ended 31 December 2017	NZ\$m
Individual credit impairment charge	22
Collective credit impairment release	(11)
Credit impairment charge	11

Asset quality for assets designated at fair value

ANZ New Zealand does not have any loans and advances designated at fair value through profit or loss.

Overseas Banking Group asset quality

As at 30 September 2017	
Gross impaired assets (AUDm)	2,384
Gross impaired assets as a percentage of total assets	0.3%
Individual provision (AUDm)	1,136
Individual provision as a percentage of gross impaired assets	47.7%
Collective provision (AUDm)	2,662

B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

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 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.

As at 31 December 2017	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
LVR range			
Does not exceed 60%	36,267	5,394	41,661
Exceeds 60% and not 70%	16,941	1,361	18,302
Exceeds 70% and not 80%	17,594	1,146	18,740
Does not exceed 80%	70,802	7,901	78,703
Exceeds 80% and not 90%	2,779	126	2,905
Exceeds 90%	1,471	185	1,656
Total retail mortgage exposures	75,052	8,212	83,264

REGISTERED BANK DISCLOSURES

Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ Banking Supervision Handbook document *Capital Adequacy Framework (Standardised Approach)* (BS2A).

As at 31 December 2017	Implied risk weighted exposure	Notional capital charge
	NZ\$m	NZ\$m
Interest rate risk	4,181	334
Foreign currency risk	109	9
Equity risk	1	-
Total	4,291	343

APRA Basel III capital ratios

As at	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	31 Dec 17	31 Dec 16	30 Sep 17	30 Sep 16
Common equity tier 1 capital	10.8%	9.5%	10.5%	9.7%
Tier 1 capital	12.9%	11.4%	12.7%	12.1%
Total capital	15.1%	14.0%	14.8%	14.7%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA, which is at least equal to that specified under the Basel III capital framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets. There are however several small portfolios (mainly retail and local corporates in Asia Pacific) where the Overseas Banking Group applies the standardised approach
- the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirement set by APRA as at 31 December 2017.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 December 2017. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 December 2017, 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.

B5. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

ANZ New Zealand 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 relates only to exposures held in the financial records of ANZ New Zealand and excludes exposures to the 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 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.

B6. 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\$966 million, which is 0.6% of the total consolidated assets of ANZ New Zealand.

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

Over the three months ended 31 December 2017, 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 28 February 2018, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Acting Chief Executive Officer – NZ Branch, on behalf of the Chief Executive Officer – NZ Branch.



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

Ilana Atlas
Paula Dwyer
Shayne Elliott
David Gonski, AC
Jane Halton, AO, PSM
Lee Hsien Yang
The Rt Hon. Sir John Key, GNZM, AC
Graeme Liebelt
John Macfarlane



Penny Dell
Acting Chief Executive Officer – NZ Branch,
on behalf of Anthony Bradshaw
Chief Executive Officer – NZ Branch

