

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2015
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REGISTERED BANK DISCLOSURE STATEMENT

FOR THE THREE MONTHS ENDED 31 DECEMBER 2015

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GLOSSARY OF TERMS

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

- (a) Bank means ANZ Bank New Zealand Limited;
- (b) Banking Group means the Bank and all its controlled entities;
- (c) Immediate Parent Company means ANZ Holdings (New Zealand) Limited;
- (d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;
- (e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
- (f) New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
- (g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;
- (h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;
- (i) Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service;
- (j) RBNZ means the Reserve Bank of New Zealand;
- (k) APRA means the Australian Prudential Regulation Authority;
- (l) the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014; and
- (m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

GENERAL DISCLOSURES

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

Credit Rating Information

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

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

Guarantors

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

ANZNZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 December 2015 of NZ\$4,828 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.

Changes to Conditions of Registration

The conditions of registration applying to the Bank were amended on 1 November 2015 to refer to revised versions of various RBNZ documents including:

- *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B) which includes changes to the capital treatment of reverse mortgages and residential mortgage loans for property investment; and to the qualifying requirements for Additional tier 1 and tier 2 instruments;
- *Application requirements for capital recognition or repayment and notification requirements in respect of capital* (BS16) which includes changes to the process to receive a notice of non-objection in order to recognise Additional tier 1 and tier 2 instruments as regulatory capital, and to notification and repayment approval requirements in respect of instruments recognised as regulatory capital; and

- *Framework for Restrictions on High-LVR Residential Mortgage Lending* (BS19) which includes changes to the high-LVR restrictions applying to different types of residential mortgage loans and categories that are exempt from the speed limits.

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

Other Matters

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

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

The Ultimate Parent Bank established a New Zealand branch which was registered on 5 January 2009. The Bank sells, from time-to-time, residential loans and mortgages into the NZ Branch to provide funding for the Bank's business. As at 31 December 2015, the NZ Branch held approximately NZ\$7.5 billion of residential loans. To satisfy APRA's requirements described above, the Bank intends to repay this funding at approximately NZ\$1.6 billion per annum over the next five years.

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

Directorate

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

Michael Smith retired as a Director on 21 December 2015.

Auditor

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

INCOME STATEMENT

		Unaudited 3 months to 31/12/2015	Unaudited 3 months to 31/12/2014	Audited Year to 30/09/2015
	Note	NZ\$m	NZ\$m	NZ\$m
Interest income		1,661	1,733	6,926
Interest expense		920	1,014	4,051
Net interest income		741	719	2,875
Net trading gains / (losses)		(9)	64	262
Net funds management and insurance income		69	101	385
Other operating income	2	67	103	523
Share of associates' profit		-	1	5
Operating income		868	988	4,050
Operating expenses		378	384	1,512
Profit before credit impairment and income tax		490	604	2,538
Credit impairment charge	5	28	12	74
Profit before income tax		462	592	2,464
Income tax expense		120	163	681
Profit after income tax		342	429	1,783

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months to 31/12/2015	Unaudited 3 months to 31/12/2014	Audited Year to 30/09/2015
	NZ\$m	NZ\$m	NZ\$m
Profit after income tax	342	429	1,783
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial loss on defined benefit schemes	-	-	(32)
Income tax credit relating to items that will not be reclassified	-	-	9
Total items that will not be reclassified to profit or loss	-	-	(23)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains recognised directly in equity	-	14	12
Realised (gains) / losses transferred to income statement	1	(12)	(16)
Income tax credit / (expense) relating to items that may be reclassified	-	(1)	1
Total items that may be reclassified subsequently to profit or loss	1	1	(3)
Total comprehensive income for the period	343	430	1,757

BALANCE SHEET

		Unaudited 31/12/2015	Unaudited 31/12/2014	Audited 30/09/2015
	Note	NZ\$m	NZ\$m	NZ\$m
Assets				
Cash		3,023	3,386	2,380
Settlement balances receivable		235	193	309
Collateral paid		2,853	1,269	1,929
Trading securities		12,003	12,023	12,139
Investments backing insurance contract liabilities		178	199	151
Derivative financial instruments		14,031	8,574	17,658
Available-for-sale assets		2,710	708	1,428
Net loans and advances	4	108,231	98,370	106,357
Other assets		700	685	740
Life insurance contract assets		510	513	552
Investments in associates		4	89	4
Premises and equipment		391	378	388
Goodwill and other intangible assets		3,500	3,458	3,492
Total assets		148,369	129,845	147,527
Interest earning and discount bearing assets		129,231	116,137	124,785
Liabilities				
Settlement balances payable		1,408	1,248	1,844
Collateral received		1,280	207	1,687
Deposits and other borrowings	8	97,264	88,153	90,678
Derivative financial instruments		15,415	9,318	17,230
Current tax liabilities		24	52	87
Deferred tax liabilities		117	86	124
Payables and other liabilities		1,470	1,292	1,487
Provisions		193	183	191
Debt issuances		16,059	15,972	19,403
Subordinated debt		2,343	1,123	2,343
Total liabilities		135,573	117,634	135,074
Net assets		12,796	12,211	12,453
Equity				
Share capital		8,888	8,213	8,888
Reserves		(9)	(6)	(10)
Retained earnings		3,917	4,004	3,575
Total equity		12,796	12,211	12,453
Interest and discount bearing liabilities		110,916	99,802	108,629

CONDENSED CASH FLOW STATEMENT

	Unaudited 3 months to 31/12/2015 NZ\$m	Unaudited 3 months to 31/12/2014 NZ\$m	Audited Year to 30/09/2015 NZ\$m
Cash flows from operating activities			
Interest received	1,650	1,686	6,857
Interest paid	(931)	(1,018)	(3,985)
Other cash inflows provided by operating activities	268	230	1,054
Other cash outflows used in operating activities	(668)	(478)	(1,974)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>	319	420	1,952
Net changes in operating assets and liabilities	1,970	1,777	(1,498)
Net cash flows provided by operating activities	2,289	2,197	454
Cash flows from investing activities			
Cash inflows provided by investing activities	15	-	-
Cash outflows used in investing activities	(38)	(24)	(132)
Net cash flows used in investing activities	(23)	(24)	(132)
Cash flows from financing activities			
Cash inflows provided by financing activities	-	325	6,384
Cash outflows used in financing activities	(1,681)	(908)	(6,065)
Net cash flows provided by / (used in) financing activities	(1,681)	(583)	319
Net increase in cash and cash equivalents	585	1,590	641
Cash and cash equivalents at beginning of the period	2,471	1,830	1,830
Cash and cash equivalents at end of the period	3,056	3,420	2,471

STATEMENT OF CHANGES IN EQUITY

	Share capital NZ\$m	Cash flow hedging reserve NZ\$m	Retained earnings NZ\$m	Total equity NZ\$m
As at 1 October 2014 (Audited)	8,213	(7)	3,575	11,781
Profit after income tax	-	-	429	429
Unrealised gains recognised directly in equity	-	14	-	14
Realised gains transferred to the income statement	-	(12)	-	(12)
Income tax expense on items recognised directly in equity	-	(1)	-	(1)
Total comprehensive income for the period	-	1	429	430
As at 31 December 2014 (Unaudited)	8,213	(6)	4,004	12,211
As at 1 October 2014 (Audited)	8,213	(7)	3,575	11,781
Profit after income tax	-	-	1,783	1,783
Unrealised gains recognised directly in equity	-	12	-	12
Realised gains transferred to the income statement	-	(16)	-	(16)
Actuarial loss on defined benefit schemes	-	-	(32)	(32)
Income tax credit on items recognised directly in equity	-	1	9	10
Total comprehensive income for the period	-	(3)	1,760	1,757
Ordinary shares issued	675	-	-	675
Ordinary dividend paid	-	-	(1,745)	(1,745)
Preference dividend paid	-	-	(15)	(15)
As at 30 September 2015 (Audited)	8,888	(10)	3,575	12,453
Profit after income tax	-	-	342	342
Realised losses transferred to the income statement	-	1	-	1
Total comprehensive income for the period	-	1	342	343
As at 31 December 2015 (Unaudited)	8,888	(9)	3,917	12,796

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Reporting entity and statement of compliance

These interim financial statements are for the Banking Group for the three months ended 31 December 2015. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2015.

(ii) Basis of measurement

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

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

(iii) Changes in accounting policies

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

(iv) Presentation currency and rounding

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

(v) Comparatives

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

(vi) Principles of consolidation

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

2. OTHER OPERATING INCOME

	Unaudited 3 months to 31/12/2015 NZ\$m	Unaudited 3 months to 31/12/2014 NZ\$m	Audited Year to 30/09/2015 NZ\$m
Net fee income	106	103	404
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(48)	(9)	64
Gain / (loss) on sale of mortgages to NZ Branch	-	(3)	1
Other income	9	12	54
Total other operating income	67	103	523

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT ANALYSIS

The Banking Group 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.

Segmental 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 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 3 months to 31/12/2015						
External revenues	560	491	33	101	(317)	868
Intersegment revenues	(67)	(263)	40	2	288	-
Total revenues	493	228	73	103	(29)	868
Profit / (loss) after income tax	186	107	31	38	(20)	342
Unaudited 3 months to 31/12/2014						
External revenues	499	527	34	217	(289)	988
Intersegment revenues	(24)	(292)	42	(63)	337	-
Total revenues	475	235	76	154	48	988
Profit after income tax	180	129	31	66	23	429
Audited year to 30/09/2015						
External revenues	2,071	2,070	159	864	(1,114)	4,050
Intersegment revenues	(166)	(1,149)	164	(200)	1,351	-
Total revenues	1,905	921	323	664	237	4,050
Profit after income tax	698	478	136	331	140	1,783

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

² This segment has negative external revenues as this segment incurs funding costs on behalf of the Banking Group and is reimbursed internally.

NOTES TO THE FINANCIAL STATEMENTS

4. NET LOANS AND ADVANCES

	Note	Unaudited 31/12/2015 NZ\$m	Unaudited 31/12/2014 NZ\$m	Audited 30/09/2015 NZ\$m
Overdrafts		1,417	1,489	1,638
Credit card outstandings		1,753	1,664	1,688
Term loans - housing		61,162	53,972	59,428
Term loans - non-housing		43,147	40,589	42,880
Lease receivables		232	261	236
Hire purchase		978	857	946
Other		-	139	-
Total gross loans and advances		108,689	98,971	106,816
Less: Provision for credit impairment	5	(607)	(660)	(611)
Less: Unearned income		(216)	(218)	(214)
Add: Capitalised brokerage/mortgage origination fees		334	231	314
Add: Customer liability for acceptances		31	46	52
Total net loans and advances		108,231	98,370	106,357

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$7,496 million as at 31 December 2015 (31/12/2014 NZ\$8,747 million, 30/09/2015 NZ\$8,011 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. PROVISION FOR CREDIT IMPAIRMENT

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/12/2015				
Collective provision	78	124	254	456
Individual provision	48	7	96	151
Total provision for credit impairment	126	131	350	607
Collective credit impairment charge / (release)	1	(3)	1	(1)
Individual credit impairment charge / (release)	(5)	17	17	29
Credit impairment charge / (release)	(4)	14	18	28
Unaudited 31/12/2014				
Collective provision	77	114	261	452
Individual provision	68	14	126	208
Total provision for credit impairment	145	128	387	660
Collective credit impairment charge / (release)	(1)	(4)	6	1
Individual credit impairment charge / (release)	(3)	15	(1)	11
Credit impairment charge / (release)	(4)	11	5	12
Audited 30/09/2015				
Collective provision	77	127	253	457
Individual provision	54	9	91	154
Total provision for credit impairment	131	136	344	611
Collective credit impairment charge / (release)	(1)	9	(2)	6
Individual credit impairment charge / (release)	(9)	68	9	68
Credit impairment charge / (release)	(10)	77	7	74

NOTES TO THE FINANCIAL STATEMENTS

6. IMPAIRED AND PAST DUE ASSETS

	Retail mortgages NZ\$m	Other retail exposures NZ\$m	Non-retail exposures NZ\$m	Total NZ\$m
Unaudited 31/12/2015				
Total impaired assets	73	29	246	348
Loans that are at least 90 days past due but not impaired	93	32	29	154
Unaudited 31/12/2014				
Total impaired assets	140	34	354	528
Loans that are at least 90 days past due but not impaired	94	34	60	188
Audited 30/09/2015				
Total impaired assets	97	32	253	382
Loans that are at least 90 days past due but not impaired	103	32	62	197

7. ASSETS CHARGED AS SECURITY FOR LIABILITIES

	Carrying Amount		
	Unaudited 31/12/2015 NZ\$m	Unaudited 31/12/2014 NZ\$m	Audited 30/09/2015 NZ\$m
Cash collateral given on derivative financial instruments	2,853	1,269	1,929
Securities sold under agreements to repurchase	538	764	47
Residential mortgages pledged as security for covered bonds	7,643	7,631	7,547
Assets pledged as collateral for UDC secured investments	2,498	2,372	2,441
Total financial assets pledged as collateral	13,532	12,036	11,964

ANZNZ Covered Bond Trust (the Covered Bond Trust)

Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

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

8. DEPOSITS AND OTHER BORROWINGS

	Note	Unaudited 31/12/2015 NZ\$m	Unaudited 31/12/2014 NZ\$m	Audited 30/09/2015 NZ\$m
Term deposits		36,324	34,201	34,982
Other deposits bearing interest and other borrowings		42,984	35,729	41,436
Deposits not bearing interest		7,154	6,371	6,716
UDC secured investments	7	1,726	1,562	1,736
Total customer deposits		88,188	77,863	84,870
Certificates of deposit		2,642	2,154	745
Commercial paper		5,858	7,378	4,964
Deposits from banks		539	757	47
Deposits from other members of ANZ New Zealand		37	1	52
Total deposits and other borrowings		97,264	88,153	90,678

9. RELATED PARTY BALANCES

	Unaudited 31/12/2015 NZ\$m	Unaudited 31/12/2014 NZ\$m	Audited 30/09/2015 NZ\$m
Total due from related parties	3,896	3,210	4,195
Total due to related parties	4,994	3,960	5,487

NOTES TO THE FINANCIAL STATEMENTS

10. CAPITAL ADEQUACY

Basel III capital ratios

	Banking Group		
	31/12/2015	31/12/2014	30/09/2015
Unaudited			
Common equity tier 1 capital	10.7%	11.0%	10.5%
Tier 1 capital	13.0%	11.4%	12.7%
Total capital	13.8%	12.6%	13.6%
Buffer ratio	5.8%	4.6%	5.6%
RBNZ minimum ratios:			
Common equity tier 1 capital	4.5%	4.5%	4.5%
Tier 1 capital	6.0%	6.0%	6.0%
Total capital	8.0%	8.0%	8.0%
Buffer requirement	2.5%	2.5%	2.5%

Capital of the Banking Group

	Unaudited 31/12/2015
	NZ\$m
Common equity tier 1 capital before deductions	12,496
Less deductions from common equity tier 1 capital	(3,701)
Common equity tier 1 capital	8,795
Additional tier 1 capital	1,841
Total tier 1 capital	10,636
Tier 2 capital	702
Total capital	11,338

Capital requirements of the Banking Group

	Exposure at default	Risk weighted exposure or implied risk weighted exposure¹	Total capital requirement
	NZ\$m	NZ\$m	NZ\$m
Unaudited 31/12/2015			
Corporate exposures	48,414	29,044	2,324
Sovereign exposures	11,405	294	24
Bank exposures	12,038	3,499	280
Retail mortgage exposures	67,404	16,169	1,293
Other retail exposures	10,682	8,592	687
Exposures subject to internal ratings based approach	149,943	57,598	4,608
Specialised lending exposures subject to slotting approach	10,480	9,671	774
Exposures subject to standardised approach	2,069	358	29
Equity exposures	6	27	2
Other exposures	3,676	1,515	121
Total credit risk	166,174	69,169	5,534
Operational risk	n/a	5,649	452
Market risk	n/a	7,240	579
Total	166,174	82,058	6,565

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

NOTES TO THE FINANCIAL STATEMENTS

Capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk, and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is NZ\$504 million (31/12/2014 NZ\$464 million; 30/09/2015 NZ\$479 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating to pension risk and business retention risk) were applied in March 2015 and prior periods restated accordingly.

Residential mortgages by loan-to-valuation ratio

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

	31/12/2015		Total NZ\$m
	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	
Unaudited			
LVR range			
Does not exceed 60%	22,673	4,259	26,932
Exceeds 60% and not 70%	12,081	1,321	13,402
Exceeds 70% and not 80%	17,899	1,785	19,684
Does not exceed 80%	52,653	7,365	60,018
Exceeds 80% and not 90%	4,315	214	4,529
Exceeds 90%	2,001	254	2,255
Total	58,969	7,833	66,802

11. LIQUIDITY PORTFOLIO

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

Unaudited 31/12/2015	NZ\$m
Cash and balances with central banks	2,255
Certificates of deposit	1,368
Government, local body stock and bonds	5,399
Government treasury bills	876
Reserve Bank bills	792
Other bonds	5,902
Total liquidity portfolio	16,592

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\$5,874 million at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

12. 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 31/12/2015		Unaudited 31/12/2014		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	108,231	108,698	98,370	98,625	106,357	106,854
Liabilities						
Deposits and other borrowings ²	97,264	97,396	88,153	88,207	90,678	90,832
Debt issuances ¹	16,059	16,152	15,972	16,127	19,403	19,516
Subordinated debt	2,343	2,326	1,123	1,120	2,343	2,288

¹ Fair value hedging is applied to certain financial instruments within these categories. The resulting fair value adjustments mean that the carrying value differs from the amortised cost.

² Includes commercial paper (note 8) designated at fair value through profit or loss.

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

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

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

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

Valuation hierarchy

	Unaudited 31/12/2015				Unaudited 31/12/2014				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	11,824	179	-	12,003	11,912	111	-	12,023	11,880	259	-	12,139
Derivative financial instruments	19	14,012	-	14,031	4	8,570	-	8,574	12	17,646	-	17,658
Available-for-sale assets	1,384	1,324	2	2,710	548	158	2	708	900	526	2	1,428
Investments backing insurance contract liabilities	3	175	-	178	3	196	-	199	2	149	-	151
Total financial assets held at fair value	13,230	15,690	2	28,922	12,467	9,035	2	21,504	12,794	18,580	2	31,376
Financial liabilities												
Deposits and other borrowings	-	5,858	-	5,858	-	7,378	-	7,378	-	4,964	-	4,964
Derivative financial instruments	2	15,413	-	15,415	3	9,315	-	9,318	19	17,211	-	17,230
Payables and other liabilities	467	-	-	467	177	-	-	177	309	-	-	309
Total financial liabilities held at fair value	469	21,271	-	21,740	180	16,693	-	16,873	328	22,175	-	22,503

NOTES TO THE FINANCIAL STATEMENTS

13. CONCENTRATIONS OF CREDIT RISK TO INDIVIDUAL COUNTERPARTIES

The Banking Group 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 three months ended 31 December 2015 there were no individual counterparties, excluding connected parties, governments and banks with long term credit ratings of A- or above, where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Banking Group's equity as at the end of the period.

14. 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\$881 million (31/12/2014: NZ\$902 million; 30/09/2015 NZ\$884 million), which is 0.6% (31/12/2014: 0.7%; 30/09/2015 0.6%) of the total consolidated assets of the Banking Group.

15. CREDIT RELATED COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	Face or contract value		
	Unaudited 31/12/2015	Unaudited 31/12/2014	Audited 30/09/2015
	NZ\$m	NZ\$m	NZ\$m
Credit related commitments			
Commitments with certain drawdown due within one year	835	884	1,130
Commitments to provide financial services	31,809	29,204	31,291
Total credit related commitments	32,644	30,088	32,421
Guarantees and contingent liabilities			
Financial guarantees	828	878	920
Standby letters of credit	60	67	82
Transaction related contingent items	1,399	1,300	1,385
Trade related contingent liabilities	71	87	67
Total guarantees and contingent liabilities	2,358	2,332	2,454

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

Other contingent liabilities

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

The Banking Group has other contingent liabilities in respect of actual and possible claims and court proceedings.

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

16. SUBSEQUENT EVENTS

On 12 February 2016, the Bank's Board resolved to pay a preference dividend of NZ\$6.6 million on 1 March 2016 and to pay an ordinary dividend of NZ\$800 million no later than 31 March 2016.

DIRECTORS' STATEMENT

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

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

Over the three months ended 31 December 2015, after due enquiry, each Director believes that:

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

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 12 February 2016.

Antony Carter



Shayne Elliott



David Hisco



John Judge



Mark Verbiest



Nigel Williams



Joan Withers



