

ANZ Bank New Zealand Limited Registered Bank Disclosure Statement

FOR THE NINE MONTHS ENDED 30 JUNE 2014 | NUMBER 74 ISSUED AUGUST 2014

Registered Bank Disclosure Statement

For the nine months ended 30 June 2014

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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 13 August 2014.

ANZNZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 30 June 2014 of \$3,757 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 35, 48 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 July 2014 to refer to a revised version of the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B), following the RBNZ's review of capital adequacy requirements for residential mortgage lending. Other minor updates have also been made to refer to revised versions of certain RBNZ documents, which have been updated to reflect the Financial Reporting Act 2013 coming into force on 1 April 2014.

Directorate

Nigel Williams was appointed as an alternate director for Michael Smith on 8 January 2014. Mr Williams is the Chief Risk Officer of the Ultimate Parent Bank.

Auditor

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

Income Statement

\$ millions	Note	Unaudited 9 months to 30/06/2014	Unaudited 9 months to 30/06/2013 ¹	Audited Year to 30/09/2013 ¹
Interest income		4,588	4,472	5,957
Interest expense		2,551	2,534	3,344
Net interest income		<u>2,037</u>	1,938	2,613
Net trading gains		145	140	163
Net funds management and insurance income		232	176	234
Other operating income	2	381	347	419
Share of associates' profit		<u>3</u>	6	7
Operating income		2,798	2,607	3,436
Operating expenses		<u>1,095</u>	1,155	1,512
Profit before credit impairment and income tax		1,703	1,452	1,924
Credit impairment charge / (release)	5	<u>(26)</u>	45	63
Profit before income tax		<u>1,729</u>	1,407	1,861
Income tax expense		473	373	490
Profit after income tax		<u>1,256</u>	1,034	1,371

Statement of Comprehensive Income

\$ millions	Note	Unaudited 9 months to 30/06/2014	Unaudited 9 months to 30/06/2013 ¹	Audited Year to 30/09/2013 ¹
Profit after income tax		<u>1,256</u>	1,034	1,371
Items that will not be reclassified to profit or loss				
Actuarial gain on defined benefit schemes		25	20	71
Income tax expense relating to items that will not be reclassified		(7)	(6)	(20)
Total items that will not be reclassified to profit or loss		<u>18</u>	14	51
Items that may be reclassified subsequently to profit or loss				
Unrealised losses recognised directly in equity		(7)	(98)	(138)
Realised gains transferred to income statement		(33)	(21)	(21)
Income tax credit relating to items that may be reclassified		11	33	45
Total items that may be reclassified subsequently to profit or loss		<u>(29)</u>	(86)	(114)
Total comprehensive income for the period		<u>1,245</u>	962	1,308

¹ Comparative amounts have changed. Refer to notes 1 and 16 for details.

Statement of Changes in Equity

\$ millions	Note	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2012 (Audited)		6,943	(3)	141	3,851	10,932
Restatement	1	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)		6,943	(3)	141	3,830	10,911
Profit after income tax		-	-	-	1,034	1,034
Unrealised losses recognised directly in equity		-	(1)	(97)	-	(98)
Realised gains transferred to the income statement		-	-	(21)	-	(21)
Actuarial gain on defined benefit schemes		-	-	-	20	20
Income tax credit / (expense) on items recognised directly in equity		-	-	33	(6)	27
Total comprehensive income for the period		-	(1)	(85)	1,048	962
Ordinary dividend paid		-	-	-	(465)	(465)
As at 30 June 2013 (Restated, unaudited)		6,943	(4)	56	4,413	11,408
As at 1 October 2012 (Audited)		6,943	(3)	141	3,851	10,932
Restatement	1	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)		6,943	(3)	141	3,830	10,911
Profit after income tax		-	-	-	1,371	1,371
Unrealised gains / (losses) recognised directly in equity		-	1	(139)	-	(138)
Realised gains transferred to the income statement		-	-	(21)	-	(21)
Actuarial gain on defined benefit schemes		-	-	-	71	71
Income tax credit / (expense) on items recognised directly in equity		-	-	45	(20)	25
Total comprehensive income for the period		-	1	(115)	1,422	1,308
Ordinary dividend paid		-	-	-	(1,065)	(1,065)
Preference shares issued		300	-	-	-	300
As at 30 September 2013 (Restated, audited)		7,243	(2)	26	4,187	11,454
Profit after income tax		-	-	-	1,256	1,256
Unrealised gains / (losses) recognised directly in equity		-	3	(10)	-	(7)
Realised gains transferred to the income statement		-	-	(33)	-	(33)
Actuarial gain on defined benefit schemes		-	-	-	25	25
Income tax credit / (expense) on items recognised directly in equity		-	(1)	12	(7)	4
Total comprehensive income for the period		-	2	(31)	1,274	1,245
Ordinary shares issued	10	970	-	-	-	970
Ordinary dividend paid		-	-	-	(1,510)	(1,510)
Preference dividend paid		-	-	-	(6)	(6)
As at 30 June 2014 (Unaudited)		8,213	-	(5)	3,945	12,153

Balance Sheet

\$ millions	Note	Unaudited 30/06/2014	Unaudited 30/06/2013 ¹	Audited 30/09/2013 ¹
Assets				
Cash		3,041	5,027	2,206
Settlement balances receivable		882	230	514
Collateral paid		1,304	615	1,002
Trading securities		12,492	10,128	10,320
Investments backing insurance contract liabilities		174	169	172
Derivative financial instruments		7,653	10,889	9,518
Current tax assets		95	74	-
Available-for-sale assets		1,056	1,854	942
Net loans and advances	4	94,193	88,855	90,837
Other assets		612	580	567
Insurance contract assets		454	401	399
Investment in associates		90	98	98
Deferred tax assets		-	78	45
Premises and equipment		376	342	376
Goodwill and other intangible assets		3,452	3,469	3,448
Total assets		125,874	122,809	120,444
Interest earning and discount bearing assets		112,740	106,545	105,866
Liabilities				
Settlement balances payable		1,539	1,623	1,428
Collateral received		553	1,526	438
Deposits and other borrowings	8	85,329	77,579	78,816
Derivative financial instruments		8,073	10,467	10,243
Current tax liabilities		-	-	3
Deferred tax liabilities		50	-	-
Payables and other liabilities		1,267	1,259	1,195
Provisions		205	271	229
Bonds and notes		15,573	17,514	15,494
Subordinated debt		1,132	1,162	1,144
Total liabilities		113,721	111,401	108,990
Net assets		12,153	11,408	11,454
Equity				
Share capital		8,213	6,943	7,243
Reserves		(5)	52	24
Retained earnings		3,945	4,413	4,187
Total equity		12,153	11,408	11,454
Interest and discount bearing liabilities		97,357	92,930	91,061

¹ Comparative amounts have changed. Refer to notes 1 and 16 for details.

Condensed Cash Flow Statement

\$ millions	Unaudited 9 months to 30/06/2014	Unaudited 9 months to 30/06/2013	Audited Year to 30/09/2013
Cash flows from operating activities			
Interest received	4,530	4,446	5,916
Interest paid	(2,488)	(2,492)	(3,368)
Other cash inflows provided by operating activities	706	655	877
Other cash outflows used in operating activities	(1,505)	(1,595)	(1,940)
Cash flows from operating profits before changes in operating assets and liabilities	1,243	1,014	1,485
Net changes in operating assets and liabilities	763	3,068	1,192
Net cash flows provided by operating activities	2,006	4,082	2,677
Cash flows from investing activities			
Cash inflows provided by investing activities	13	69	69
Cash outflows used in investing activities	(84)	(89)	(142)
Net cash flows used in investing activities	(71)	(20)	(73)
Cash flows from financing activities			
Cash inflows provided by financing activities	4,686	1,105	2,678
Cash outflows used in financing activities	(5,876)	(2,463)	(5,676)
Net cash flows used in financing activities	(1,190)	(1,358)	(2,998)
Net increase / (decrease) in cash and cash equivalents	745	2,704	(394)
Cash and cash equivalents at beginning of the period	2,861	3,255	3,255
Cash and cash equivalents at end of the period	3,606	5,959	2,861

Notes to the Financial Statements

1. Significant Accounting Policies

(i) Reporting entity and statement of compliance

These interim financial statements are for the Banking Group for the nine months ended 30 June 2014. 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 2013.

(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 Banking Group has applied the following new accounting standards and amendments in the preparation of these financial statements:

- NZ IFRS 10 *Consolidated Financial Statements*;
- NZ IFRS 13 *Fair Value Measurement*;
- NZ IAS 19 *Employee Benefits* (amended 2011);
- NZ IAS 28 *Investments in Associates and Joint Ventures* (amended 2011); and
- NZ IAS 34 *Interim Financial Reporting* (consequential amendments).

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

NZ IAS 19 has been applied retrospectively, in accordance with transitional provisions, with the net impact of initial application recognised in retained earnings as at 30 September 2012 and shown in the statement of changes in equity. The balances of payables and other liabilities and the associated deferred tax asset have been restated for subsequent periods.

Amendments to NZ IAS 34 require certain fair value disclosures which have been included in Note 12, however comparative information is not required in the first year of application.

(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

In addition to restatements resulting from the initial application of NZ IAS 19, certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. Further information on changes to comparative information is included in note 16.

(vi) Principles of consolidation

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

2. Other Operating Income

\$millions	Unaudited 9 months to 30/06/2014	Unaudited 9 months to 30/06/2013	Audited Year to 30/09/2013
Net fee income	306	324	423
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	(6)	1	(35)
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	91	-	-
Gain on sale of subsidiary and associate	-	13	13
Loss on sale of mortgages to NZ Branch	(23)	(13)	(14)
Other income	13	22	32
Total other operating income	<u>381</u>	<u>347</u>	<u>419</u>

Notes to the Financial Statements

3. Segmental 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 personal 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). Core products include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home loans secured by mortgages over property. Retail distributes insurance and investment products on behalf of the Wealth segment.

Commercial

Commercial provides services to Business Banking, Commercial & Agri, and UDC customers. Business Banking

services are offered to small enterprises (typically with annual revenues of less than \$5 million). Commercial & Agri customers consist of primarily privately owned medium to large enterprises. The Banking Group'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

\$ millions	Retail	Commercial	Wealth ²	Institutional	Other ³	Total
Unaudited 9 months to 30/06/2014						
External revenues	753	2,085	179	591	(810)	2,798
Intersegment revenues	151	(1,006)	121	(131)	865	-
Total revenues	904	1,079	300	460	55	2,798
Profit after income tax	298	543	148	236	31	1,256
Unaudited 9 months to 30/06/2013						
External revenues	723	2,015	57	652	(840)	2,607
Intersegment revenues	133	(938)	111	(177)	871	-
Total revenues	856	1,077	168	475	31	2,607
Profit / (loss) after income tax	235	518	55	234	(8)	1,034
Audited year to 30/09/2013						
External revenues	985	2,675	83	816	(1,123)	3,436
Intersegment revenues	173	(1,248)	149	(208)	1,134	-
Total revenues	1,158	1,427	232	608	11	3,436
Profit / (loss) after income tax	333	687	80	285	(14)	1,371

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

² Wealth external revenue for the nine months to 30 June 2014 includes the \$91 million insurance settlement relating to the Bank's former involvement in the ING Diversified Yield Fund and the ING Regular Income Fund.

³ This segment has negative external revenue 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

\$ millions	Note	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Overdrafts		1,689	1,741	1,841
Credit card outstandings		1,546	1,442	1,458
Term loans - housing		51,535	47,830	49,521
Term loans - non-housing		39,240	37,933	38,024
Lease receivables		103	135	128
Hire purchase		791	683	721
Other		124	135	125
Total gross loans and advances		<u>95,028</u>	89,899	91,818
Less: Provision for credit impairment	5	(692)	(888)	(826)
Less: Unearned income		(361)	(333)	(342)
Add: Capitalised brokerage/mortgage origination fees		189	139	156
Add: Customer liability for acceptances		29	38	31
Total net loans and advances		<u>94,193</u>	88,855	90,837

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of \$9,743 million as at 30 June 2014 (30/06/2013 \$9,916 million, 30/09/2013 \$9,256 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. Provision for Credit Impairment

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 30/06/2014				
Collective provision	86	112	282	480
Individual provision	53	22	137	212
Total provision for credit impairment	<u>139</u>	<u>134</u>	<u>419</u>	<u>692</u>
Collective credit impairment release	(15)	(5)	(42)	(62)
Individual credit impairment charge / (release)	(4)	63	(23)	36
Credit impairment charge / (release)	<u>(19)</u>	<u>58</u>	<u>(65)</u>	<u>(26)</u>
Unaudited 30/06/2013				
Collective provision	100	115	354	569
Individual provision	96	15	208	319
Total provision for credit impairment	<u>196</u>	<u>130</u>	<u>562</u>	<u>888</u>
Collective credit impairment release	(4)	(10)	(21)	(35)
Individual credit impairment charge	13	47	20	80
Credit impairment charge / (release)	<u>9</u>	<u>37</u>	<u>(1)</u>	<u>45</u>
Audited 30/09/2013				
Collective provision	101	117	324	542
Individual provision	74	22	188	284
Total provision for credit impairment	<u>175</u>	<u>139</u>	<u>512</u>	<u>826</u>
Collective credit impairment release	(3)	(8)	(51)	(62)
Individual credit impairment charge	10	67	48	125
Credit impairment charge / (release)	<u>7</u>	<u>59</u>	<u>(3)</u>	<u>63</u>

Notes to the Financial Statements

6. Impaired Assets and Past Due Assets

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 30/06/2014				
Total impaired assets	168	39	423	630
Loans that are at least 90 days past due but not impaired	101	36	77	214
Unaudited 30/06/2013				
Total impaired assets	239	40	745	1,024
Loans that are at least 90 days past due but not impaired	96	51	95	242
Audited 30/09/2013				
Total impaired assets	179	49	666	894
Loans that are at least 90 days past due but not impaired	92	40	76	208

7. Financial Assets Pledged as Collateral

\$ millions	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Cash collateral given on derivative financial instruments	1,304	615	1,002
Trading securities encumbered through repurchase agreements	1,350	1,152	108
Residential mortgages pledged as security for covered bonds	6,858	5,529	5,857
Total assets of UDC Finance Limited pledged as collateral for UDC secured investments	2,310	2,129	2,162
Total financial assets pledged as collateral	11,822	9,425	9,129

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

\$ millions	Note	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Certificates of deposit		2,236	1,866	2,364
Term deposits		33,916	33,641	33,862
Other deposits bearing interest and other borrowings		33,314	29,048	29,687
Deposits not bearing interest		5,812	5,562	5,526
Deposits from banks		1,575	864	180
Commercial paper		6,951	4,416	4,765
UDC secured investments	7	1,519	1,492	1,492
Deposits from other members of ANZ New Zealand		6	690	940
Total deposits and other borrowings		85,329	77,579	78,816

9. Related Party Transactions

\$ millions	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Total due from related parties	2,932	3,294	2,193
Total due to related parties	3,559	5,678	5,132

Notes to the Financial Statements

10. Capital Adequacy

Basel III capital ratios

	Banking Group		
	30/06/2014	30/06/2013	30/09/2013
Unaudited			
Common equity tier 1 capital	11.3%	10.7%	10.4%
Tier 1 capital	11.8%	10.7%	10.8%
Total capital	13.0%	12.4%	12.4%
Buffer ratio	5.0%	4.4%	4.4%
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%	n/a	n/a

Capital of the Banking Group

\$ millions	Unaudited 30/06/2014
Common equity tier 1 capital before deductions	11,853
Less deductions from common equity tier 1 capital	(3,644)
Common equity tier 1 capital	8,209
Additional tier 1 capital	300
Total tier 1 capital	8,509
Tier 2 capital	936
Total capital	9,445

Capital requirements of the Banking Group

\$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure ¹	Total capital requirement
Unaudited 30/06/2014			
Corporate exposures	45,261	26,304	2,104
Sovereign exposures	10,826	201	16
Bank exposures	8,274	2,654	212
Retail mortgage exposures	56,332	15,234	1,219
Other retail exposures	9,811	7,869	630
Exposures subject to internal ratings based approach	130,504	52,262	4,181
Specialised lending exposures subject to slotting approach	8,269	7,869	629
Exposures subject to standardised approach	2,148	355	29
Equity exposures	92	389	31
Other exposures	3,695	1,315	105
Total credit risk	144,708	62,190	4,975
Operational risk	n/a	5,378	430
Market risk	n/a	4,845	387
Total	144,708	72,413	5,792

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

Ordinary share capital issued

The Bank issued \$970 million of ordinary shares to the Immediate Parent Company on 20 June 2014. The shares are included in common equity tier 1 capital and were issued at the same time as payment of a dividend of the same amount by the Bank to the Immediate Parent Company. Total common equity tier 1 capital and capital ratios were unchanged after these transactions.

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on winding up. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

Pillar II 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 \$336 million (30/06/2013 \$379 million; 30/09/2013 \$343 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 November 2013 and prior periods were 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.

Unaudited \$ millions	30/06/2014		Total
	On-balance sheet	Off-balance sheet	
LVR range			
Does not exceed 60%	18,131	3,379	21,510
Exceeds 60% and not 70%	9,035	935	9,970
Exceeds 70% and not 80%	14,596	1,446	16,042
Does not exceed 80%	41,762	5,760	47,522
Exceeds 80% and not 90%	4,717	224	4,941
Exceeds 90%	3,041	278	3,319
Total	49,520	6,262	55,782

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 30/06/2014 \$ millions	Cash	Trading Securities	Available-for- sale securities	Total
Balances with central banks	2,000	-	-	2,000
Certificates of deposit	-	-	477	477
Government, local body stock and bonds	-	5,771	518	6,289
Government treasury bills	-	107	21	128
Other bonds	-	5,397	-	5,397
Total liquidity portfolio	2,000	11,275	1,016	14,291

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 \$5,445 million at 30 June 2014.

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:

Unaudited \$ millions	30/06/2014	
	Carrying amount	Fair value
Assets		
Net loans and advances ¹	94,193	94,203
Liabilities		
Deposits and other borrowings ²	85,329	85,320
Bonds and notes ¹	15,573	15,742
Subordinated debt	1,132	1,113

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 designated at fair value through profit or loss of \$6,951 million.

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 - Quoted market price

Where an active market exists fair value is based on quoted market prices for identical financial instruments. The quoted market price is not adjusted for any potential impact that may be attributed to a large holding of the financial instrument.

Level 2 - Valuation technique using observable inputs

In the event that there is no quoted market price for the instruments, fair values are based on present value estimates or other market accepted valuation techniques which include data, including interest and exchange rates, from observable markets wherever possible.

Level 3 - Valuation technique with significant non observable inputs

The Banking Group holds units in an unlisted fund which does not trade in an active market. The fair value of these units is based on the estimated cashflows from the realisation of the underlying assets.

The Banking Group recognises transfers between Level 1, Level 2 and Level 3 as of the beginning of the reporting period during which the transfer has occurred. There have been no transfers between levels during the period.

Valuation hierarchy

Unaudited 30/06/2014 \$ millions	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	12,487	5	-	12,492
Derivative financial instruments	4	7,649	-	7,653
Available-for-sale assets	1,054	-	2	1,056
Investments backing insurance policy liabilities	119	55	-	174
Total financial assets held at fair value	13,664	7,709	2	21,375
Financial liabilities				
Deposits and other borrowings	-	6,951	-	6,951
Derivative financial instruments	5	8,068	-	8,073
Payables and other liabilities	194	-	-	194
Total financial liabilities held at fair value	199	15,019	-	15,218

Notes to the Financial Statements

13. Concentrations of Credit Risk to Individual Counterparties

The Banking Group measures its concentration of credit risk in respect of bank counterparties on the basis of approved exposures, and in respect of non bank counterparties on the basis of limits.

For the three months ended 30 June 2014 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 subsidiaries OnePath Life (NZ) Limited and OnePath Insurance Services (NZ) Limited. The aggregate amount of insurance business in this group comprises assets totalling \$827 million (30/06/2013: \$774 million; 30/09/2013 \$779 million), which is 0.7% (30/06/2013: 0.6%; 30/09/2013 0.6%) of the total consolidated assets of the Banking Group.

15. Credit Related Commitments, Guarantees and Contingent Liabilities

\$ millions	Face or contract value		
	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Credit related commitments			
Commitments with certain drawdown due within one year	990	950	817
Commitments to provide financial services	26,621	24,212	24,446
Total credit related commitments	27,611	25,162	25,263
Guarantees and contingent liabilities			
Financial guarantees	841	885	997
Standby letters of credit	61	46	32
Transaction related contingent items	1,199	1,054	1,059
Trade related contingent liabilities	91	81	113
Total guarantees and contingent liabilities	2,192	2,066	2,201

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. To reflect the risk associated with these transactions, they are subjected to the same credit origination, portfolio management and collateral requirements as for customers that apply for loans. The contract amount represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other contingent liabilities

In December 2013, the Commerce Commission announced that it intended to file proceedings against the Bank (and two other banks) under the Fair Trading Act 1986 in relation to the sale of interest rate swaps to rural customers. On 2 April 2014, the Commission stated that it anticipates making a further announcement after it has progressed discussions with each bank. The Financial Markets Authority has also commenced an investigation into this matter. The potential outcome of the investigations or any proceedings which may be issued cannot be determined with any certainty at this stage.

In June 2013, litigation funder Litigation Lending Services (NZ) Limited filed a representative action against the Bank regarding certain fees charged to New Zealand customers. 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.

Notes to the Financial Statements

16. Changes to Comparatives

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.

During the period, the classification of the balance sheet has been changed to reflect the nature of the financial assets and liabilities reported. Prior to the reclassification, the balance sheet was classified according to counterparty. This has resulted in the following changes to previously reported balance sheet classifications. Minor changes in the overall total assets and total liabilities have also occurred due to the adoption of IAS19 *Employee Benefits* and to gross up net insurance assets for the present value of reinsurance premiums payable.

Associated amounts in the income statement, statement of comprehensive income and cash flow statement have been restated accordingly, and the impact of the changes to these statements is not material.

Unaudited \$ millions	30/06/2013		Currently reported	30/09/2013		Currently reported
	Previously reported	Change		Previously reported	Change	
Assets						
Liquid assets	3,004	(3,004)	-	2,496	(2,496)	-
Due from other financial institutions	3,625	(3,625)	-	1,570	(1,570)	-
Cash	-	5,027	5,027	-	2,206	2,206
Settlement balances receivable	-	230	230	-	514	514
Collateral paid	-	615	615	-	1,002	1,002
Available-for-sale assets	1,235	619	1,854	782	160	942
Net loans and advances	88,629	226	88,855	90,489	348	90,837
Insurance policy assets	299	102	401	399	-	399
Other assets	668	(88)	580	731	(164)	567
Deferred tax assets	70	8	78	39	6	45
All other assets	25,169	-	25,169	23,932	-	23,932
Total assets	122,699	110	122,809	120,438	6	120,444
Liabilities						
Due to other financial institutions	3,511	(3,511)	-	1,517	(1,517)	-
Settlement balances payable	-	1,623	1,623	-	1,428	1,428
Collateral received	-	1,526	1,526	-	438	438
Deposits and other borrowings	76,026	1,553	77,579	77,697	1,119	78,816
Due to immediate parent company	689	(689)	-	939	(939)	-
Payables and other liabilities	1,631	(372)	1,259	1,705	(510)	1,195
All other liabilities	29,414	-	29,414	27,113	-	27,113
Total liabilities	111,271	130	111,401	108,971	19	108,990
Equity	11,428	(20)	11,408	11,467	(13)	11,454

17. Subsequent Events

On 8 August 2014 the Bank's Board resolved to pay a preference dividend of \$7 million on 1 September 2014 and to pay an ordinary dividend of \$830 million no later than 30 September 2014.

Directors' Statement

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

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

Over the nine months ended 30 June 2014, 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, 13 August 2014.

Antony Carter



Shayne Elliott



John Judge

(also on behalf of David Hisco and Michael Smith)



Mark Verbiest



Nigel Williams

(alternate director for Michael Smith)



Joan Withers



