

**Australia and New Zealand Banking Group Limited  
- New Zealand Branch  
Disclosure Statement**

**FOR THE THREE MONTHS ENDED 31 DECEMBER 2013 | NUMBER 21 ISSUED FEBRUARY 2014**

## **Disclosure Statement**

**For the three months ended 31 December 2013**

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### **Glossary of Terms**

In this Disclosure Statement unless the context otherwise requires:

- (a) "Bank" means ANZ Bank New Zealand Limited;
- (b) "Banking Group" means the Bank and all its controlled entities;
- (c) "Immediate Parent Company" means ANZ Funds Pty Limited, which is the immediate parent company of ANZ Holdings (New Zealand) Limited;
- (d) "Ultimate Parent Bank" means Australia and New Zealand Banking Group Limited;
- (e) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
- (f) "New Zealand business" means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
- (g) "NZ Branch" means the New Zealand business of the Ultimate Parent Bank;
- (h) "ANZ New Zealand" means the New Zealand business of the Overseas Banking Group;
- (i) "Registered Office" is Level 8, 1 Victoria Street, Wellington, New Zealand, which is also ANZ New Zealand's address for service;
- (j) "RBNZ" means the Reserve Bank of New Zealand;
- (k) "APRA" means the Australian Prudential Regulation Authority;
- (l) "the Order" means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2013; and
- (m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

## General Disclosures

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

### Credit Rating Information

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

The Ultimate Parent Bank's credit ratings are:

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

### Guarantors

No obligations of the NZ Branch are guaranteed as at 27 February 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 31 December 2013 of \$4,041 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.

### Financial Statements of the Ultimate Parent Bank and Overseas Banking Group

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

### Directorate

Dr Gregory Clark and David Meiklejohn retired on 18 December 2013.

David Gonski became a Director of the Ultimate Parent Bank on 27 February 2014.

### Auditor

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

## Income Statement

\$ millions	Note	Unaudited 3 months to 31/12/2013	Unaudited 3 months to 31/12/2012	Audited Year to 30/09/2013
Interest income		1,630	1,639	6,461
Interest expense		942	984	3,820
Net interest income		688	655	2,641
Net trading gains		64	38	163
Net funds management and insurance income		68	66	234
Other operating income	2	75	85	391
Share of associates' profit		1	3	7
Operating income		896	847	3,436
Operating expenses		372	398	1,513
Profit before provision for credit impairment and income tax		524	449	1,923
Provision for credit impairment	5	(19)	44	66
<b>Profit before income tax</b>		<b>543</b>	405	1,857
Income tax expense		150	109	488
<b>Profit after income tax</b>		<b>393</b>	296	1,369

## Statement of Comprehensive Income

\$ millions	Unaudited 3 months to 31/12/2013	Unaudited 3 months to 31/12/2012	Audited Year to 30/09/2013
<b>Profit after income tax</b>	<b>393</b>	296	1,369
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain on defined benefit schemes	-	-	71
Income tax credit / (expense) relating to items not reclassified	-	-	(20)
Total items that will not be reclassified to profit or loss	-	-	51
<b>Items that may be reclassified subsequently to profit or loss</b>			
Unrealised losses recognised directly in equity	(19)	(11)	(138)
Realised gains transferred to income statement	(11)	(6)	(21)
Income tax credit relating to items that may be reclassified	8	5	45
Total items that may be reclassified subsequently to profit or loss	(22)	(12)	(114)
<b>Total comprehensive income for the period</b>	<b>371</b>	284	1,306

## Statement of Changes in Equity

\$ millions	Share capital and head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2012 (Audited)	6,424	(3)	141	2,615	9,177
Restatement (Note 1)	-	-	-	(21)	(21)
<b>As at 1 October 2012 (Restated)</b>	<b>6,424</b>	<b>(3)</b>	<b>141</b>	<b>2,594</b>	<b>9,156</b>
Profit after income tax	-	-	-	296	296
Unrealised gains / (losses) recognised directly in equity	-	1	(12)	-	(11)
Realised gains transferred to the income statement	-	-	(6)	-	(6)
Income tax credit on items recognised directly in equity	-	-	5	-	5
Total comprehensive income for the period	-	1	(13)	296	284
<b>As at 31 December 2012 (Unaudited)</b>	<b>6,424</b>	<b>(2)</b>	<b>128</b>	<b>2,890</b>	<b>9,440</b>
As at 1 October 2012 (Audited)	6,424	(3)	141	2,615	9,177
Restatement (Note 1)	-	-	-	(21)	(21)
<b>As at 1 October 2012 (Restated)</b>	<b>6,424</b>	<b>(3)</b>	<b>141</b>	<b>2,594</b>	<b>9,156</b>
Profit after income tax	-	-	-	1,369	1,369
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)	1,420	1,306
Ordinary dividend paid	-	-	-	(720)	(720)
<b>As at 30 September 2013 (Audited)</b>	<b>6,424</b>	<b>(2)</b>	<b>26</b>	<b>3,294</b>	<b>9,742</b>
Profit after income tax	-	-	-	<b>393</b>	<b>393</b>
Unrealised gains / (losses) recognised directly in equity	-	<b>3</b>	<b>(22)</b>	-	<b>(19)</b>
Realised gains transferred to the income statement	-	-	<b>(11)</b>	-	<b>(11)</b>
Income tax credit / (expense) on items recognised directly in equity	-	<b>(1)</b>	<b>9</b>	-	<b>8</b>
Total comprehensive income for the period	-	<b>2</b>	<b>(24)</b>	<b>393</b>	<b>371</b>
<b>As at 31 December 2013 (Unaudited)</b>	<b>6,424</b>	<b>-</b>	<b>2</b>	<b>3,687</b>	<b>10,113</b>

## Balance Sheet

\$ millions	Note	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
<b>Assets</b>				
Liquid assets		3,249	3,148	2,496
Due from other financial institutions		1,699	3,230	1,711
Trading securities		11,498	11,638	10,320
Derivative financial instruments		7,670	10,764	9,508
Current tax assets		-	7	1
Available-for-sale assets		1,115	47	782
Net loans and advances	4	101,192	96,820	99,765
Investments backing insurance policy liabilities		180	154	172
Insurance policy assets		408	416	399
Investments in associates		89	98	98
Other assets		614	598	735
Deferred tax assets		20	92	42
Premises and equipment		377	331	376
Goodwill and other intangible assets		3,446	3,503	3,448
<b>Total assets</b>		<b>131,557</b>	130,846	129,853
Interest earning and discount bearing assets		<b>118,673</b>	114,342	115,297
<b>Liabilities</b>				
Due to other financial institutions		11,041	11,020	9,871
Deposits and other borrowings	8	81,073	77,080	77,696
Due to Immediate Parent Company		1,766	1,766	1,766
Derivative financial instruments		9,017	11,649	11,208
Payables and other liabilities		1,498	1,531	1,492
Current tax liabilities		28	-	-
Provisions		218	308	229
Bonds and notes		15,381	16,882	16,407
Loan capital		1,422	1,170	1,442
<b>Total liabilities (excluding head office account)</b>		<b>121,444</b>	121,406	120,111
<b>Net assets (excluding head office account)</b>		<b>10,113</b>	9,440	9,742
<b>Represented by:</b>				
Share capital and head office account		6,424	6,424	6,424
Reserves		2	126	24
Retained earnings		3,687	2,890	3,294
<b>Total equity and head office account</b>		<b>10,113</b>	9,440	9,742
Interest and discount bearing liabilities		<b>104,518</b>	102,035	101,470

## Condensed Cash Flow Statement

\$ millions	<b>Unaudited</b> <b>3 months to</b> <b>31/12/2013</b>	Unaudited 3 months to 31/12/2012	Audited Year to 30/09/2013
<b>Cash flows from operating activities</b>			
Interest received	<b>1,601</b>	1,621	6,432
Interest paid	<b>(959)</b>	(993)	(3,859)
Other cash inflows provided by operating activities	<b>225</b>	231	852
Other cash outflows used in operating activities	<b>(519)</b>	(556)	(1,932)
Cash flows from operating profits before changes in operating assets and liabilities	<b>348</b>	303	1,493
Net changes in operating assets and liabilities	<b>2,104</b>	3,311	1,141
<b>Net cash flows provided by operating activities</b>	<b>2,452</b>	3,614	2,634
<b>Cash flows from investing activities</b>			
Cash inflows provided by investing activities	<b>10</b>	1	69
Cash outflows used in investing activities	<b>(21)</b>	(30)	(142)
<b>Net cash flows used in investing activities</b>	<b>(11)</b>	(29)	(73)
<b>Cash flows from financing activities</b>			
Cash inflows provided by financing activities	<b>1,179</b>	-	2,479
Cash outflows used in financing activities	<b>(2,582)</b>	(1,847)	(5,331)
<b>Net cash flows used in financing activities</b>	<b>(1,403)</b>	(1,847)	(2,852)
Net increase / (decrease) in cash and cash equivalents	<b>1,038</b>	1,738	(291)
Cash and cash equivalents at beginning of the period	<b>3,002</b>	3,293	3,293
<b>Cash and cash equivalents at end of the period</b>	<b>4,040</b>	5,031	3,002

## Notes to the Financial Statements

### 1. Significant Accounting Policies

#### (i) Reporting entity and statement of compliance

These interim financial statements are for ANZ New Zealand for the three months ended 31 December 2013. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 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

ANZ New Zealand has applied the following new accounting standards and amendments in the preparation of these interim 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 ANZ New Zealand'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 13, 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.

#### (vi) Principles of consolidation

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

### 2. Other Operating Income

Other operating income includes a fair value loss of \$28 million (31/12/2012 \$23 million; 30/09/2013 \$55 million) on hedging activities and the revaluation of financial liabilities designated at fair value. Other operating income excluding these fair value adjustments is \$103 million (31/12/2012 \$108 million; 30/09/2013 \$446 million).



## Notes to the Financial Statements

### 3. Segmental Analysis

For segment reporting purposes, ANZ New Zealand is organised into four major business segments - 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 ANZ New Zealand's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

#### Retail

Retail provides products and services to 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. ANZ New Zealand'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 includes private banking and investment services provided to high net worth individuals, the ANZ wealth management and OnePath insurance businesses, and other investment products.

#### Institutional

Institutional provides financial services through a number of specialised units to large multi-banked corporations, often global, who 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 analysis<sup>1</sup>

\$ millions	Retail	Commercial	Wealth	Institutional	Other <sup>2</sup>	Total
<b>Unaudited 3 months to 31/12/2013</b>						
External operating income	<b>363</b>	<b>709</b>	<b>23</b>	<b>211</b>	<b>(410)</b>	<b>896</b>
Intersegment operating income	<b>(38)</b>	<b>(343)</b>	<b>38</b>	<b>(36)</b>	<b>379</b>	<b>-</b>
Total operating income	<b>325</b>	<b>366</b>	<b>61</b>	<b>175</b>	<b>(31)</b>	<b>896</b>
Profit before income tax	<b>162</b>	<b>256</b>	<b>27</b>	<b>134</b>	<b>(36)</b>	<b>543</b>
<b>Unaudited 3 months to 31/12/2012</b>						
External operating income	353	686	17	218	(427)	847
Intersegment operating income	(56)	(328)	37	(62)	409	-
Total operating income	297	358	54	156	(18)	847
Profit before income tax	119	206	20	98	(38)	405
<b>Audited year to 30/09/2013</b>						
External operating income	1,412	2,757	45	802	(1,580)	3,436
Intersegment operating income	(175)	(1,313)	148	(194)	1,534	-
Total operating income	1,237	1,444	193	608	(46)	3,436
Profit before income tax	528	968	59	389	(87)	1,857

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

<sup>2</sup> This segment has negative external operating income as this segment incurs funding costs on behalf of ANZ New Zealand and is reimbursed internally.

## Notes to the Financial Statements

### 4. Net Loans and Advances

\$ millions	Note	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
Overdrafts		1,496	1,789	1,841
Credit card outstandings		1,541	1,455	1,458
Term loans - housing		59,826	56,191	58,849
Term loans - non-housing		38,519	37,835	37,832
Finance lease receivables		868	816	849
Gross loans and advances		<b>102,250</b>	98,086	100,829
Provision for credit impairment	5	<b>(798)</b>	(1,082)	(849)
Unearned finance income		<b>(287)</b>	(263)	(278)
Fair value hedge adjustment		<b>(81)</b>	19	(35)
Deferred fee revenue and expenses		<b>(67)</b>	(62)	(64)
Capitalised brokerage/mortgage origination fees		<b>175</b>	122	162
Total net loans and advances		<b>101,192</b>	96,820	99,765

### 5. Provision for Credit Impairment

\$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
<b>Unaudited 31/12/2013</b>				
Collective provision	113	110	306	529
Individual provision	75	22	172	269
Total provision for credit impairment	<b>188</b>	<b>132</b>	<b>478</b>	<b>798</b>
Collective provision credit	<b>(2)</b>	<b>(7)</b>	<b>(18)</b>	<b>(27)</b>
Individual provision charge / (credit)	<b>(6)</b>	<b>24</b>	<b>(10)</b>	<b>8</b>
Total charge / (credit) in income statement	<b>(8)</b>	<b>17</b>	<b>(28)</b>	<b>(19)</b>
<b>Unaudited 31/12/2012</b>				
Collective provision	128	118	375	621
Individual provision	114	31	316	461
Total provision for credit impairment	242	149	691	1,082
Collective provision charge / (credit)	8	(7)	-	1
Individual provision charge	5	11	27	43
Total charge in income statement	13	4	27	44
<b>Audited 30/09/2013</b>				
Collective provision	115	117	324	556
Individual provision	83	22	188	293
Total provision for credit impairment	198	139	512	849
Collective provision credit	(5)	(8)	(51)	(64)
Individual provision charge	15	67	48	130
Total charge / (credit) in income statement	10	59	(3)	66

## Notes to the Financial Statements

### 6. Impaired and Past Due Assets

\$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
<b>Unaudited 31/12/2013</b>				
Total impaired assets	195	49	599	843
Loans that are at least 90 days past due but not impaired	108	37	65	210
<b>Unaudited 31/12/2012</b>				
Total impaired assets	336	48	923	1,307
Loans that are at least 90 days past due but not impaired	125	38	64	227
<b>Audited 30/09/2013</b>				
Total impaired assets	214	49	666	929
Loans that are at least 90 days past due but not impaired	108	40	76	224

### 7. Financial Assets Pledged as Collateral

\$ millions	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
Cash collateral given on derivative financial instruments	623	1,076	1,002
Trading securities encumbered through repurchase agreements	748	787	108
Residential mortgages pledged as security for covered bonds	6,364	4,896	5,857
Total assets of UDC Finance Limited pledged as collateral for secured stock	2,266	2,139	2,162
Total financial assets pledged as collateral	10,001	8,898	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.

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

### 8. Deposits and Other Borrowings

\$ millions	Note	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
Certificates of deposit		1,594	2,369	2,364
Term deposits		34,254	33,545	33,862
Demand deposits bearing interest		30,948	27,629	29,687
Deposits not bearing interest		6,135	5,737	5,526
Secured debenture stock	7	1,575	1,457	1,492
Commercial paper		6,567	6,343	4,765
Total deposits and other borrowings		81,073	77,080	77,696

### 9. Related Party Transactions

\$ millions	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
Total due from related parties	1,647	2,480	2,325
Total due to related parties	16,229	16,281	16,247

## Notes to the Financial Statements

### 10. Capital Adequacy

#### Adoption of Basel III capital framework

Effective 1 January 2013, APRA has adopted the majority of Basel III capital reforms in Australia. The Basel III reforms include: increased capital deductions from common equity tier one capital, an increase in capitalisation rates (including prescribed minimum capital buffers, fully effective 1 January 2016), tighter requirements around new tier one and tier two securities and transitional arrangements for existing tier one and tier two securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions.

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)	
	31/12/2013 Basel III	31/12/2012 Basel II	30/09/2013 Basel III	30/09/2013 Basel III	30/09/2012 Basel II
Common equity tier one capital	7.9%	n/a	8.5%	8.5%	n/a
Tier one capital	9.6%	10.9%	10.4%	10.6%	11.4%
Total capital	11.2%	12.1%	12.2%	12.5%	12.7%

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

Under prudential regulations, the Overseas Banking Group is required to maintain Prudential Capital Requirements ("PCRs"), which are at least equal to that specified under Basel III (previously Basel II), as determined by APRA. The Overseas Banking Group exceeded the PCRs set by APRA as at 31 December 2013 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 December 2013. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 December 2013, 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](http://anz.com).

#### Market risk

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

Unaudited 31/12/2013 \$ millions	Implied risk weighted exposure	Notional capital charge
Interest rate risk	5,243	419
Foreign currency risk	11	1
Equity risk	2	-
	<b>5,256</b>	<b>420</b>

#### Residential mortgages by loan-to-valuation ratio ("LVR")

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

Unaudited 31/12/2013 \$ millions	On-balance sheet	Off-balance sheet	Total
<b>LVR range</b>			
0% - 59%	20,126	3,202	23,328
60% - 69%	9,680	830	10,510
70% - 79%	15,005	1,067	16,072
Less than 80%	44,811	5,099	49,910
80% - 89%	8,530	453	8,983
Over 90%	4,536	308	4,844
Total	57,877	5,860	63,737

## Notes to the Financial Statements

### 11. Liquidity Portfolio

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

	<b>Unaudited</b>
\$ millions	<b>31/12/2013</b>
Balances with central banks	<b>1,703</b>
Securities purchased under agreement to resell	<b>236</b>
Certificates of deposit	<b>180</b>
Government, local body stock and bonds	<b>7,076</b>
Government treasury bills	<b>373</b>
Other bonds	<b>5,091</b>
Total liquidity portfolio	<b>14,659</b>

### 12. Concentrations of Credit Risk to Individual Counterparties

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

For the three months ended 31 December 2013 there were no individual counterparties (excluding connected parties, governments and banks with long term credit ratings of A- or above) where ANZ New Zealand's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Overseas Banking Group's equity (as at the end of the period).

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

### 13. Fair Value of Financial Assets and Financial Liabilities

#### Comparison of fair values and carrying amounts

The following table shows the fair values and carrying amounts for financial assets and financial liabilities that are not carried at fair value and the carrying amount is not a reasonable approximation of fair value.

Unaudited	31/12/2013	
	Carrying amount	Fair value
\$ millions		
<b>Assets</b>		
Net loans and advances	<b>101,192</b>	<b>101,220</b>
<b>Liabilities</b>		
Due to other financial institutions	<b>11,041</b>	<b>11,159</b>
Deposits and other borrowings	<b>81,073</b>	<b>81,082</b>
Bonds and notes	<b>15,381</b>	<b>15,584</b>
Loan capital	<b>1,422</b>	<b>1,341</b>

#### Valuation hierarchy for financial instruments held at fair value

ANZ New Zealand uses a valuation method within the following hierarchy to determine the carrying amount of assets and liabilities held at fair value, all of which are recurring fair value measurements:

##### "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

ANZ New Zealand 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.

## Notes to the Financial Statements

### Valuation hierarchy

\$millions	Level 1	Level 2	Level 3	Total
<b>Unaudited 31/12/2013</b>				
Trading securities	11,386	112	-	11,498
Derivative financial instruments	12	7,658	-	7,670
Available-for-sale assets	1,113	-	2	1,115
Investments backing insurance policy liabilities	125	55	-	180
Total financial assets held at fair value	12,636	7,825	2	20,463
Due to other financial institutions	41	-	-	41
Deposits and other borrowings	-	6,567	-	6,567
Derivative financial instruments	4	9,013	-	9,017
Payables and other liabilities	160	-	-	160
Total financial liabilities held at fair value	205	15,580	-	15,785

### 14. Insurance business

ANZ New Zealand 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 \$796 million (31/12/2012: \$785 million; 30/09/2013 \$779 million), which is 0.6% (31/12/2012: 0.6%; 30/09/2013 0.6%) of the total consolidated assets of ANZ New Zealand.

### 15. Credit Related Commitments, Guarantees, Contingent Asset and Liabilities

\$ millions	Face or contract value		
	Unaudited 31/12/2013	Unaudited 31/12/2012	Audited 30/09/2013
<b>Credit related commitments</b>			
Commitments with certain drawdown due within one year	724	856	817
Commitments to provide financial services	25,064	24,837	24,250
Total credit related commitments	25,788	25,693	25,067
<b>Guarantees and contingent liabilities</b>			
Financial guarantees	982	696	997
Standby letters of credit	40	50	32
Transaction related contingent items	1,179	888	1,059
Trade related contingent liabilities	97	136	113
Total guarantees and contingent liabilities	2,298	1,770	2,201

ANZ New Zealand 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 advised the Bank that it intends to issue proceedings against the Bank (and two other banks) under the Fair Trading Act 1986 in relation to the marketing and sale of interest rate swaps to rural customers. The Commission has said that it aims to file proceedings in March 2014. The potential outcome of any proceedings which may be issued cannot be determined with any certainty at this stage.

In 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 in June 2013. The potential outcome of this litigation cannot be determined with any certainty at this stage.

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

#### Contingent asset

In December 2013, the Bank reached a conditional agreement with insurers to settle its claim in relation to the Bank's former involvement in the ING Diversified Yield Fund and the ING Regular Income Fund for payment of AUD85 million, which would be subject to taxation.

## Notes to the Financial Statements

### 16. Additional Disclosures

#### NZ Branch Funding

\$ millions

Unaudited  
31/12/2013

Total liabilities of the NZ Branch less amounts due to related parties

26

#### Overseas Banking Group Profitability and Size

AUD millions

Audited  
30/09/2013

Net profit after tax for the year<sup>1</sup>

6,282

Net profit after tax for the year as a percentage of average total assets

0.93%

Total assets

702,991

Percentage change in total assets over the preceding year

9.5%

<sup>1</sup> Net profit after tax for the year includes \$10 million of profit attributable to non-controlling interests.

#### Overseas Banking Group asset quality

AUD millions

Audited  
30/09/2013

Gross impaired assets

4,264

Gross impaired assets as a percentage of total assets

0.61%

Total individually assessed provisions for impairment

1,467

Individually assessed provisions for impairment as a percentage of gross impaired assets

34.4%

Collective provision for credit impairment

2,887

## 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 (No 2) 2013; and
- (ii) The Disclosure Statement is not false or misleading.

Over the three months ended 31 December 2013, 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 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 27 February 2014, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.**



**John Morschel**  
Chairman,  
on behalf of the Directors:



**Anthony Bradshaw**  
Chief Executive Officer – NZ Branch

**Paula Dwyer**  
**David Gonski, AC**  
**Peter Hay**  
**Lee Hsien Yang**  
**Graeme Liebelt**  
**Ian Macfarlane, AC**  
**Michael Smith, OBE**  
**Alison Watkins**





