

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

FOR THE NINE MONTHS ENDED 30 JUNE 2014 | NUMBER 23 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 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 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 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 14 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.

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 on 27 February 2014 and Chairman on 1 May 2014.

Peter Hay, John Morschel and Alison Watkins retired on 30 April 2014.

John Macfarlane became a Director on 22 May 2014.

Auditor

ANZ New Zealand'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		4,975	4,848	6,461
Interest expense		2,919	2,890	3,820
Net interest income		<u>2,056</u>	1,958	2,641
Net trading gains		145	140	163
Net funds management and insurance income		232	176	234
Other operating income	2	350	323	391
Share of associates' profit		3	6	7
Operating income		<u>2,786</u>	2,603	3,436
Operating expenses		<u>1,096</u>	1,155	1,513
Profit before credit impairment and income tax		1,690	1,448	1,923
Credit impairment charge / (release)	5	(20)	49	66
Profit before income tax		<u>1,710</u>	1,399	1,857
Income tax expense		467	370	488
Profit after income tax		<u>1,243</u>	1,029	1,369

Statement of Comprehensive Income

\$ millions	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	1,243	1,029	1,369
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>1,232</u>	957	1,306

¹ Comparative amounts have changed. Refer to notes 1 and 18 for details.

Statement of Changes in Equity

\$ millions	Note	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	1	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)		6,424	(3)	141	2,594	9,156
Profit after income tax		-	-	-	1,029	1,029
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)	1,043	957
Ordinary dividend paid		-	-	-	(360)	(360)
As at 30 June 2013 (Restated, unaudited)		6,424	(4)	56	3,277	9,753
As at 1 October 2012 (Audited)		6,424	(3)	141	2,615	9,177
Restatement	1	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)		6,424	(3)	141	2,594	9,156
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)
As at 30 September 2013 (Restated, audited)		6,424	(2)	26	3,294	9,742
Profit after income tax		-	-	-	1,243	1,243
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)	1,261	1,232
Redeemable preference shares issued	11	969	-	-	-	969
Ordinary dividend paid		-	-	-	(1,505)	(1,505)
As at 30 June 2014 (Unaudited)		7,393	-	(5)	3,050	10,438

Balance Sheet

\$ millions	Note	Unaudited 30/06/2014	Unaudited 30/06/2013 ¹	Audited 30/09/2013 ¹
Assets				
Cash		3,320	5,027	2,347
Settlement balances receivable		882	206	515
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		7,624	10,880	9,508
Current tax assets		96	107	1
Available-for-sale assets		1,056	1,854	942
Net loans and advances	4	103,938	98,793	100,113
Other assets		616	583	570
Insurance contract assets		454	401	399
Investment in associates		90	98	98
Deferred tax assets		-	76	42
Premises and equipment		376	342	376
Goodwill and other intangible assets		3,452	3,469	3,448
Total assets		135,874	132,748	129,853
Interest earning and discount bearing assets		122,779	116,470	115,297
Liabilities				
Settlement balances payable		1,173	1,265	1,114
Collateral received		553	1,526	438
Deposits and other borrowings	8	95,926	88,024	88,013
Derivative financial instruments		9,215	10,938	11,208
Deferred tax liabilities		47	-	-
Payables and other liabilities		1,327	1,315	1,260
Provisions		205	271	229
Bonds and notes		15,573	18,494	16,407
Subordinated debt		1,417	1,162	1,442
Total liabilities (excluding head office account)		125,436	122,995	120,111
Net assets (excluding head office account)		10,438	9,753	9,742
Equity				
Share capital and head office account		7,393	6,424	6,424
Reserves		(5)	52	24
Retained earnings		3,050	3,277	3,294
Total equity and head office account		10,438	9,753	9,742
Interest and discount bearing liabilities		108,240	100,960	101,470

¹ Comparative amounts have changed. Refer to notes 1 and 18 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	4,927	4,827	6,432
Interest paid	(2,864)	(2,874)	(3,859)
Other cash inflows provided by operating activities	712	640	852
Other cash outflows used in operating activities	(1,505)	(1,615)	(1,932)
Cash flows from operating profits before changes in operating assets and liabilities	1,270	978	1,493
Net changes in operating assets and liabilities	856	2,910	1,141
Net cash flows provided by operating activities	2,126	3,888	2,634
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	4,685	1,105	2,479
Cash outflows used in financing activities	(5,857)	(2,307)	(5,331)
Net cash flows used in financing activities	(1,172)	(1,202)	(2,852)
Net increase / (decrease) in cash and cash equivalents	883	2,666	(291)
Cash and cash equivalents at beginning of the period	3,002	3,293	3,293
Cash and cash equivalents at end of the period	3,885	5,959	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 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 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 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. Further information on changes to comparative information is included in note 18.

(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

\$millions	Unaudited 9 months to 30/06/2014	Unaudited 9 months to 30/06/2013	Audited Year to 30/09/2013
Net fee income	287	305	398
Fair value loss on hedging activities and financial liabilities designated at fair value	(41)	(20)	(55)
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	91	-	-
Gain on sale of subsidiary and associate	-	16	16
Other income	13	22	32
Total other operating income	<u>350</u>	<u>323</u>	<u>391</u>

Notes to the Financial Statements

3. Segmental Analysis

ANZ New Zealand 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 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 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	1,063	2,153	179	581	(1,190)	2,786
Intersegment revenues	(114)	(1,064)	121	(119)	1,176	-
Total revenues	949	1,089	300	462	(14)	2,786
Profit / (loss) after income tax	327	549	148	237	(18)	1,243
Unaudited 9 months to 30/06/2013						
External revenues	1,046	2,062	57	640	(1,202)	2,603
Intersegment revenues	(141)	(976)	111	(164)	1,170	-
Total revenues	905	1,086	168	476	(32)	2,603
Profit / (loss) after income tax	268	525	55	235	(54)	1,029
Audited year to 30/09/2013						
External revenues	1,398	2,757	83	800	(1,602)	3,436
Intersegment revenues	(175)	(1,315)	149	(191)	1,532	-
Total revenues	1,223	1,442	232	609	(70)	3,436
Profit / (loss) after income tax	379	699	80	286	(75)	1,369

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 ANZ New Zealand 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		61,295	57,785	58,814
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		104,788	99,854	101,111
Less: Provision for credit impairment	5	(714)	(913)	(849)
Less: Unearned income		(362)	(334)	(342)
Add: Capitalised brokerage/mortgage origination fees		197	148	162
Add: Customer liability for acceptances		29	38	31
Total net loans and advances		103,938	98,793	100,113

5. Provision for Credit Impairment

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 30/06/2014				
Collective provision	100	112	282	494
Individual provision	61	22	137	220
Total provision for credit impairment	161	134	419	714
Collective credit impairment release	(15)	(5)	(42)	(62)
Individual credit impairment charge / (release)	2	63	(23)	42
Credit impairment charge / (release)	(13)	58	(65)	(20)
Unaudited 30/06/2013				
Collective provision	116	115	354	585
Individual provision	105	15	208	328
Total provision for credit impairment	221	130	562	913
Collective credit impairment release	(4)	(10)	(21)	(35)
Individual credit impairment charge	17	47	20	84
Credit impairment charge / (release)	13	37	(1)	49
Audited 30/09/2013				
Collective provision	115	117	324	556
Individual provision	83	22	188	293
Total provision for credit impairment	198	139	512	849
Collective credit impairment release	(5)	(8)	(51)	(64)
Individual credit impairment charge	15	67	48	130
Credit impairment charge / (release)	10	59	(3)	66

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	204	39	423	666
Loans that are at least 90 days past due but not impaired	123	36	77	236
Unaudited 30/06/2013				
Total impaired assets	278	40	745	1,063
Loans that are at least 90 days past due but not impaired	115	51	95	261
Audited 30/09/2013				
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 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.

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 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
Borrowings from Ultimate Parent Bank and Immediate Parent Company		10,603	11,135	10,137
Total deposits and other borrowings		95,926	88,024	88,013

9. Related Party Transactions

\$ millions	Unaudited 30/06/2014	Unaudited 30/06/2013	Audited 30/09/2013
Total due from related parties	3,183	3,264	2,325
Total due to related parties	15,270	17,262	16,247

Notes to the Financial Statements

10. Capital Adequacy

Basel III capital ratios

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	30/06/2014	30/06/2013	30/09/2013	31/03/2014	31/03/2013	30/09/2013
Unaudited						
Common equity tier 1 capital	8.3%	8.0%	8.5%	8.3%	8.4%	8.5%
Tier 1 capital	10.2%	9.5%	10.4%	10.6%	10.3%	10.6%
Total capital	12.1%	11.4%	12.2%	12.5%	12.2%	12.5%

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 (AIRB) methodology for calculation of credit risk weighted assets and the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent.

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 30 June 2014 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 June 2014. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 June 2014, 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.

Market risk

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

\$ millions	Implied risk weighted exposure	Notional capital charge
Unaudited 30/06/2014		
Interest rate risk	4,742	379
Foreign currency risk	113	9
Equity risk	2	-
	4,857	388

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 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 \$ millions	30/06/2014		Total
	On-balance sheet	Off-balance sheet	
LVR range			
Does not exceed 60%	21,250	3,410	24,660
Exceeds 60% and not 70%	10,546	938	11,484
Exceeds 70% and not 80%	16,979	1,449	18,428
Does not exceed 80%	48,775	5,797	54,572
Exceeds 80% and not 90%	6,521	225	6,746
Exceeds 90%	3,916	278	4,194
Total	59,212	6,300	65,512

11. Redeemable Preference Shares Issued

ANZ Holdings (New Zealand) Limited (ANZH) issued AUD 898 million of redeemable preference shares (RPS) to the Immediate Parent Company on 25 June 2014. The RPS were issued at the same time as payment of a dividend of NZD 970 million from ANZH to the Immediate Parent Company.

RPS carry no voting rights and are redeemable by ANZH providing notice in writing to holders of the RPS. Dividends are payable at the discretion of the directors of ANZH and are non-cumulative. In a liquidation, holders of RPS are entitled to available subscribed capital per share, *pari passu* with all holders of existing RPS but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

Notes to the Financial Statements

12. 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 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 ANZ New Zealand to enter into repurchase transactions with a value of \$5,445 million at 30 June 2014.

13. 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	103,938	103,974
Liabilities		
Deposits and other borrowings ²	95,926	96,028
Bonds and notes ¹	15,573	15,742
Subordinated debt	1,417	1,406

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

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. 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

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.

ANZ New Zealand 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.

Notes to the Financial Statements

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	7,620	-	7,624
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	7,680	2	21,346
Financial liabilities				
Deposits and other borrowings	-	6,951	-	6,951
Derivative financial instruments	5	9,210	-	9,215
Payables and other liabilities	194	-	-	194
Total financial liabilities held at fair value	199	16,161	-	16,360

14. Concentrations of Credit Risk to Individual Counterparties

ANZ New Zealand 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 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.

15. 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 \$827 million (30/06/2013: \$774 million; 30/09/2013 \$779 million), which is 0.6% (30/06/2013: 0.6%; 30/09/2013 0.6%) of the total consolidated assets of ANZ New Zealand.

16. 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	26,409	24,024	24,250
Total credit related commitments	27,399	24,974	25,067
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

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.

Notes to the Financial Statements

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.

17. Additional Disclosures

NZ Branch Funding

\$ millions	Unaudited 30/06/2014
Total liabilities of the NZ Branch less amounts due to related parties	38

Overseas Banking Group Profitability and Size

AUD millions	Unaudited 31/03/2014
Profit for the six months ended 31/03/2014 ¹	3,387
Net profit after tax for the 12 months to 31/03/2014 as a percentage of average total assets	0.94%
Total assets	737,815
Percentage change in total assets in the 12 months to 31/03/2014	9.69%

¹ Net profit after tax for the period includes \$6 million of profit attributable to non-controlling interests.

Overseas Banking Group asset quality

AUD millions	Unaudited 31/03/2014
Gross impaired assets	3,620
Gross impaired assets as a percentage of total assets	0.5%
Individual provision	1,470
Individual provision as a percentage of gross impaired assets	40.6%
Collective provision	2,843

Notes to the Financial Statements

18. 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	3,601	(3,601)	-	1,711	(1,711)	-
Cash	-	5,027	5,027	-	2,347	2,347
Settlement balances receivable	-	206	206	-	515	515
Collateral paid	-	615	615	-	1,002	1,002
Available-for-sale assets	1,235	619	1,854	782	160	942
Net loans and advances	98,567	226	98,793	99,765	348	100,113
Insurance policy assets	299	102	401	399	-	399
Other assets	671	(88)	583	735	(165)	570
Deferred tax assets	68	8	76	36	6	42
All other assets	25,193	-	25,193	23,923	-	23,923
Total assets	132,638	110	132,748	129,847	6	129,853
Liabilities						
Due to other financial institutions	12,862	(12,862)	-	9,871	(9,871)	-
Settlement balances payable	-	1,265	1,265	-	1,114	1,114
Collateral received	-	1,526	1,526	-	438	438
Deposits and other borrowings	76,026	11,998	88,024	77,696	10,317	88,013
Due to immediate parent company	-	-	-	1,766	(1,766)	-
Payables and other liabilities	1,346	(31)	1,315	1,473	(213)	1,260
Term funding	1,766	(1,766)	-	-	-	-
All other liabilities	30,865	-	30,865	29,286	-	29,286
Total liabilities	122,865	130	122,995	120,092	19	120,111
Equity	9,773	(20)	9,753	9,755	(13)	9,742

Directors' and New Zealand Chief Executive Officer's Statement

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

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

Over the nine months ended 30 June 2014, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- (i) The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period;
- (ii) The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 14 August 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.



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



Anthony Bradshaw
Chief Executive Officer – NZ Branch

Paula Dwyer
Lee Hsien Yang
Graeme Liebelt
Ian Macfarlane, AC
John Macfarlane
Michael Smith, OBE

