

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

FOR THE NINE MONTHS ENDED 30 JUNE 2015 | NUMBER 27 ISSUED AUGUST 2015

# Registered Bank Disclosure Statement

For the nine months ended 30 June 2015

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## Glossary of Terms

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

- (a) Bank means ANZ Bank New Zealand Limited;
- (b) Banking Group means the Bank and all its controlled entities;
- (c) Immediate Parent Company means ANZ 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 17 August 2015.

### ANZ NZ 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 ANZ NZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZ NZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 30 June 2015 of NZ\$4,983 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

### Other Matters

APRA has informed the four major Australian banks, including the Ultimate Parent Bank, that it is reviewing the level of non-equity and contingent funding that can be provided to their respective New Zealand banking subsidiaries and branches. Whilst details of this review are subject to further discussions with APRA, we believe that the Ultimate Parent Bank will continue to be able to provide financial support to ANZ New Zealand. We expect that any changes, if implemented, will be made with an appropriate transition period determined by APRA to allow ANZ New Zealand to adjust to any new arrangements.

### 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](http://anz.com).

### Directorate

As at 17 August 2015 there have been no changes to the Directors of the Ultimate Parent Bank since 30 September 2014, the balance date of the last full year disclosure statement.

### Auditor

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

## Income Statement

NZ\$ millions	Note	Unaudited 9 months to 30/06/2015	Unaudited 9 months to 30/06/2014	Audited Year to 30/09/2014
Interest income		5,576	4,975	6,799
Interest expense		3,436	2,919	4,034
Net interest income		<u>2,140</u>	2,056	2,765
Net trading gains		218	145	210
Net funds management and insurance income		280	232	325
Other operating income	2	352	350	525
Share of associates' profit		4	3	3
Operating income		<u>2,994</u>	2,786	3,828
Operating expenses		<u>1,134</u>	1,096	1,490
Profit before credit impairment and income tax		<u>1,860</u>	1,690	2,338
Credit impairment charge / (release)	5	58	(20)	(9)
<b>Profit before income tax</b>		<u>1,802</u>	1,710	2,347
Income tax expense		498	467	636
<b>Profit after income tax</b>		<u>1,304</u>	1,243	1,711

## Statement of Comprehensive Income

NZ\$ millions	Unaudited 9 months to 30/06/2015	Unaudited 9 months to 30/06/2014	Audited Year to 30/09/2014
<b>Profit after income tax</b>	<b>1,304</b>	1,243	1,711
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain / (loss) on defined benefit schemes	(26)	25	35
Income tax credit / (expense) relating to items that will not be reclassified	7	(7)	(10)
Total items that will not be reclassified to profit or loss	<u>(19)</u>	18	25
<b>Items that may be reclassified subsequently to profit or loss</b>			
Unrealised gains / (losses) recognised directly in equity	2	(7)	(2)
Realised gains transferred to income statement	(16)	(33)	(41)
Income tax credit relating to items that may be reclassified	4	11	12
Total items that may be reclassified subsequently to profit or loss	<u>(10)</u>	(29)	(31)
<b>Total comprehensive income for the period</b>	<u>1,275</u>	1,232	1,705

## Statement of Changes in Equity

NZ\$ millions	Share capital and head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2013 (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
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2</b>	<b>(31)</b>	<b>1,261</b>	<b>1,232</b>
Ordinary dividend paid	-	-	-	(1,505)	(1,505)
Preference shares issued	969	-	-	-	969
<b>As at 30 June 2014 (Unaudited)</b>	<b>7,393</b>	<b>-</b>	<b>(5)</b>	<b>3,050</b>	<b>10,438</b>
As at 1 October 2013 (Audited)	6,424	(2)	26	3,294	9,742
Profit after income tax	-	-	-	1,711	1,711
Unrealised gains / (losses) recognised directly in equity	-	3	(5)	-	(2)
Realised gains transferred to the income statement	-	-	(41)	-	(41)
Actuarial gain on defined benefit schemes	-	-	-	35	35
Income tax credit / (expense) on items recognised directly in equity	-	(1)	13	(10)	2
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2</b>	<b>(33)</b>	<b>1,736</b>	<b>1,705</b>
Ordinary dividend paid	-	-	-	(2,335)	(2,335)
Preference shares issued	969	-	-	-	969
<b>As at 30 September 2014 (Audited)</b>	<b>7,393</b>	<b>-</b>	<b>(7)</b>	<b>2,695</b>	<b>10,081</b>
Profit after income tax	-	-	-	1,304	1,304
Unrealised gains recognised directly in equity	-	1	1	-	2
Realised gains transferred to the income statement	-	-	(16)	-	(16)
Actuarial loss on defined benefit schemes	-	-	-	(26)	(26)
Income tax credit on items recognised directly in equity	-	-	4	7	11
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1</b>	<b>(11)</b>	<b>1,285</b>	<b>1,275</b>
Ordinary dividend paid	-	-	-	(955)	(955)
<b>As at 30 June 2015 (Unaudited)</b>	<b>7,393</b>	<b>1</b>	<b>(18)</b>	<b>3,025</b>	<b>10,401</b>

## Balance Sheet

NZ\$ millions	Note	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
<b>Assets</b>				
Cash		3,643	3,320	2,248
Settlement balances receivable		346	882	855
Collateral paid		2,219	1,304	783
Trading securities		12,257	12,492	11,750
Investments backing insurance contract liabilities		141	174	190
Derivative financial instruments		16,486	7,624	11,421
Current tax assets		77	96	-
Available-for-sale assets		782	1,056	772
Net loans and advances	4	112,991	103,938	105,485
Other assets		717	616	632
Life insurance contract assets		541	454	470
Investments in associates		90	90	88
Premises and equipment		374	376	380
Goodwill and other intangible assets		3,471	3,452	3,454
<b>Total assets</b>		<b>154,135</b>	<b>135,874</b>	<b>138,528</b>
Interest earning and discount bearing assets		132,423	122,779	121,539
<b>Liabilities</b>				
Settlement balances payable		1,315	1,173	1,992
Collateral received		1,278	553	800
Deposits and other borrowings	8	100,736	95,926	94,527
Derivative financial instruments		16,360	9,215	10,961
Current tax liabilities		-	-	68
Deferred tax liabilities		98	47	59
Payables and other liabilities		1,720	1,327	1,352
Provisions		195	205	204
Debt issuances		19,313	15,573	17,042
Subordinated debt		2,719	1,417	1,442
<b>Total liabilities (excluding head office account)</b>		<b>143,734</b>	<b>125,436</b>	<b>128,447</b>
<b>Net assets (excluding head office account)</b>		<b>10,401</b>	<b>10,438</b>	<b>10,081</b>
<b>Equity</b>				
Share capital and head office account		7,393	7,393	7,393
Reserves		(17)	(5)	(7)
Retained earnings		3,025	3,050	2,695
<b>Total equity and head office account</b>		<b>10,401</b>	<b>10,438</b>	<b>10,081</b>
Interest and discount bearing liabilities		118,901	108,240	108,614

## Condensed Cash Flow Statement

NZ\$ millions	Unaudited 9 months to 30/06/2015	Unaudited 9 months to 30/06/2014	Audited Year to 30/09/2014
<b>Cash flows from operating activities</b>			
Interest received	5,514	4,927	6,724
Interest paid	(3,362)	(2,864)	(3,945)
Other cash inflows provided by operating activities	655	712	947
Other cash outflows used in operating activities	(1,674)	(1,505)	(1,895)
Cash flows from operating profits before changes in operating assets and liabilities	1,133	1,270	1,831
Net changes in operating assets and liabilities	(860)	1,101	(294)
<b>Net cash flows provided by operating activities</b>	<b>273</b>	<b>2,371</b>	<b>1,537</b>
<b>Cash flows from investing activities</b>			
Cash inflows provided by investing activities	-	13	18
Cash outflows used in investing activities	(77)	(84)	(120)
<b>Net cash flows used in investing activities</b>	<b>(77)</b>	<b>(71)</b>	<b>(102)</b>
<b>Cash flows from financing activities</b>			
Cash inflows provided by financing activities	4,281	4,685	5,400
Cash outflows used in financing activities	(3,022)	(5,857)	(6,924)
<b>Net cash flows provided by / (used in) financing activities</b>	<b>1,259</b>	<b>(1,172)</b>	<b>(1,524)</b>
Net increase / (decrease) in cash and cash equivalents	1,455	1,128	(89)
Cash and cash equivalents at beginning of the period	2,256	2,345	2,345
<b>Cash and cash equivalents at end of the period</b>	<b>3,711</b>	<b>3,473</b>	<b>2,256</b>

## 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 2015. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with ANZ New Zealand's financial statements for the year ended 30 September 2014.

#### (ii) Basis of measurement

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

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

#### (iii) Changes in accounting policies

The accounting policies adopted by ANZ New Zealand are consistent with those adopted and disclosed in the previous full year Disclosure Statement.

#### (iv) Presentation currency and rounding

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

#### (v) Comparatives

Amounts in the cash flow statement for cash and cash equivalents and net changes in operating assets and liabilities have been updated for the revised definition of cash and cash equivalents applied in the previous full year Disclosure Statement.

#### (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

NZ\$ millions	Unaudited 9 months to 30/06/2015	Unaudited 9 months to 30/06/2014	Audited Year to 30/09/2014
Net fee income	286	287	382
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	26	(41)	15
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	-	91	91
Other income	40	13	37
Total other operating income	<u>352</u>	<u>350</u>	<u>525</u>



## Notes to the Financial Statements

### 3. Segment 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 NZ\$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 analysis<sup>1</sup>

NZ\$ millions	Retail	Commercial	Wealth <sup>2</sup>	Institutional	Other <sup>3</sup>	Total
<b>Unaudited 9 months to 30/06/2015</b>						
External revenues	1,021	2,425	114	671	(1,237)	2,994
Intersegment revenues	(33)	(1,261)	124	(168)	1,338	-
Total revenues	988	1,164	238	503	101	2,994
Profit after income tax	352	550	100	255	47	1,304
<b>Unaudited 9 months to 30/06/2014</b>						
External revenues	1,063	2,153	178	582	(1,190)	2,786
Intersegment revenues	(111)	(1,060)	121	(118)	1,168	-
Total revenues	952	1,093	299	464	(22)	2,786
Profit / (loss) after income tax	337	544	148	238	(24)	1,243
<b>Audited year to 30/09/2014</b>						
External revenues	1,410	2,941	211	791	(1,525)	3,828
Intersegment revenues	(134)	(1,473)	165	(163)	1,605	-
Total revenues	1,276	1,468	376	628	80	3,828
Profit after income tax	451	723	181	322	34	1,711

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

<sup>2</sup> Wealth external revenues for the nine months to 30 June 2014 and year to 30 September 2014 includes the NZ\$91 million insurance settlement relating to the Bank's former involvement in the ING Diversified Yield fund and the ING Regular Income Fund.

<sup>3</sup> This segment has negative external revenues 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

NZ\$ millions	Note	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
Overdrafts		1,657	1,689	1,744
Credit card outstandings		1,676	1,546	1,580
Term loans - housing		65,879	61,295	61,918
Term loans - non-housing		43,027	39,240	39,622
Lease receivables		243	103	277
Hire purchase		911	791	837
Other		125	124	125
Total gross loans and advances		113,518	104,788	106,103
Less: Provision for credit impairment	5	(657)	(714)	(688)
Less: Unearned income		(215)	(362)	(212)
Add: Capitalised brokerage/mortgage origination fees		294	197	215
Add: Customer liability for acceptances		51	29	67
Total net loans and advances		112,991	103,938	105,485

### 5. Provision for Credit Impairment

NZ\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
<b>Unaudited 30/06/2015</b>				
Collective provision	95	123	259	477
Individual provision	69	8	103	180
Total provision for credit impairment	164	131	362	657
Collective credit impairment charge	4	5	4	13
Individual credit impairment charge / (release)	(1)	47	(1)	45
Credit impairment charge	3	52	3	58
<b>Unaudited 30/06/2014</b>				
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)
<b>Audited 30/09/2014</b>				
Collective provision	91	118	255	464
Individual provision	81	15	128	224
Total provision for credit impairment	172	133	383	688
Collective credit impairment charge / (release)	(24)	1	(69)	(92)
Individual credit impairment charge / (release)	12	79	(8)	83
Credit impairment charge / (release)	(12)	80	(77)	(9)

## Notes to the Financial Statements

### 6. Impaired and Past Due Assets

NZ\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
<b>Unaudited 30/06/2015</b>				
Total impaired assets	140	31	269	440
Loans that are at least 90 days past due but not impaired	141	36	59	236
<b>Unaudited 30/06/2014</b>				
Total impaired assets	204	39	423	666
Loans that are at least 90 days past due but not impaired	123	36	77	236
<b>Audited 30/09/2014</b>				
Total impaired assets	223	35	410	668
Loans that are at least 90 days past due but not impaired	110	30	32	172

### 7. Financial Assets Pledged as Collateral

NZ\$ millions	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
Cash collateral given on derivative financial instruments	2,219	1,304	783
Trading securities encumbered through repurchase agreements	826	1,350	47
Residential mortgages pledged as security for covered bonds	7,020	6,858	7,283
Total assets of UDC Finance Limited pledged as collateral for UDC secured investments	2,458	2,310	2,354
Total financial assets pledged as collateral	12,523	11,822	10,467

#### ANZ NZ 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 ANZ NZ 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

NZ\$ millions	Note	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
Certificates of deposit		2,257	2,236	1,376
Term deposits		34,401	33,916	34,758
Other deposits bearing interest and other borrowings		39,326	33,314	34,027
Deposits not bearing interest		6,366	5,812	6,001
Deposits from banks		1,002	1,575	226
Commercial paper		6,877	6,951	6,057
UDC secured investments	7	1,654	1,519	1,569
Borrowings from Ultimate Parent Bank and Immediate Parent Company		8,853	10,603	10,513
Total deposits and other borrowings		100,736	95,926	94,527

### 9. Related Party Balances

NZ\$ millions	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
Total due from related parties	4,348	3,183	4,539
Total due to related parties	14,567	15,270	16,137

## Notes to the Financial Statements

### 10. Capital Adequacy

#### Basel III capital ratios

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	30/06/2015	30/06/2014	30/09/2014	31/03/2015	31/03/2014	30/09/2014
<b>Unaudited</b>						
Common equity tier 1 capital	8.6%	8.3%	8.8%	8.8%	8.3%	9.1%
Tier 1 capital	10.5%	10.2%	10.7%	10.9%	10.6%	11.3%
Total capital	12.5%	12.1%	12.7%	13.1%	12.5%	13.4%

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 2015 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 June 2015. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 June 2015, 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.

	Implied risk weighted exposure	Notional capital charge
<b>NZ\$ millions</b>		
<b>Unaudited 30/06/2015</b>		
Interest rate risk	7,528	602
Foreign currency risk	65	5
Equity risk	2	-
	<b>7,595</b>	<b>607</b>

#### 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 NZ\$ millions	30/06/2015		
	On-balance sheet	Off-balance sheet	Total
<b>LVR range</b>			
Does not exceed 60%	23,699	3,981	27,680
Exceeds 60% and not 70%	11,955	1,203	13,158
Exceeds 70% and not 80%	19,697	1,959	21,656
Does not exceed 80%	55,351	7,143	62,494
Exceeds 80% and not 90%	5,752	237	5,989
Exceeds 90%	2,639	243	2,882
Total	63,742	7,623	71,365

## 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 those classified as operating assets in the Condensed Cash Flow Statement.

Unaudited 30/06/2015 NZ\$ millions	Cash	Trading Securities	Available-for- sale securities	Total
Cash and balances with central banks	1,828	-	-	1,828
Securities purchased under agreement to resell	853	-	-	853
Certificates of deposit	-	-	398	398
Government, local body stock and bonds	-	4,280	172	4,452
Government treasury bills	-	1,598	28	1,626
Other bonds	-	5,859	-	5,859
Total liquidity portfolio	2,681	11,737	598	15,016

The Bank also held unencumbered internal residential mortgage backed securities which would entitle the Banking Group to enter into repurchase transactions with a value of NZ\$5,906 million at 30 June 2015.

### 12. Fair Value Measurements

#### Financial assets and financial liabilities not measured at fair value

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is at fair value or considered a reasonable approximation of fair value.

The fair values below have been calculated using discounted cash flow techniques where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.

NZ\$ millions	Unaudited 30/06/2015		Unaudited 30/06/2014		Audited 30/09/2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>						
Net loans and advances <sup>1</sup>	112,991	113,504	103,938	103,974	105,485	105,600
<b>Liabilities</b>						
Deposits and other borrowings <sup>2</sup>	100,736	100,958	95,926	96,028	94,527	94,550
Debt issuances <sup>1</sup>	19,313	19,458	15,573	15,742	17,042	17,225
Subordinated debt	2,719	2,730	1,417	1,406	1,442	1,443

<sup>1</sup> 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.

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

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

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

## Notes to the Financial Statements

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

### Valuation hierarchy

NZ\$ millions	Unaudited 30/06/2015				Unaudited 30/06/2014				Audited 30/09/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>												
Trading securities	12,168	89	-	12,257	12,487	5	-	12,492	11,659	91	-	11,750
Derivative financial instruments	6	16,480	-	16,486	4	7,620	-	7,624	2	11,419	-	11,421
Available-for-sale assets <sup>1</sup>	324	456	2	782	1,054	-	2	1,056	712	58	2	772
Investments backing insurance contract liabilities <sup>1</sup>	2	139	-	141	119	55	-	174	129	61	-	190
<b>Total financial assets held at fair value</b>	<b>12,500</b>	<b>17,164</b>	<b>2</b>	<b>29,666</b>	<b>13,664</b>	<b>7,680</b>	<b>2</b>	<b>21,346</b>	<b>12,502</b>	<b>11,629</b>	<b>2</b>	<b>24,133</b>
<b>Financial liabilities</b>												
Deposits and other borrowings	-	6,877	-	6,877	-	6,951	-	6,951	-	6,057	-	6,057
Derivative financial instruments	4	16,356	-	16,360	5	9,210	-	9,215	4	10,957	-	10,961
Payables and other liabilities	526	-	-	526	194	-	-	194	226	-	-	226
<b>Total financial liabilities held at fair value</b>	<b>530</b>	<b>23,233</b>	<b>-</b>	<b>23,763</b>	<b>199</b>	<b>16,161</b>	<b>-</b>	<b>16,360</b>	<b>230</b>	<b>17,014</b>	<b>-</b>	<b>17,244</b>

<sup>1</sup> During the period, available-for-sale assets of NZ\$159 million and Investments backing insurance contract liabilities of NZ\$126 million were reclassified from Level 1 to Level 2 following a reassessment of available pricing information. Transfers into and out of Level 1 and Level 2 are deemed to have occurred as of the beginning of the reporting period in which the transfer occurred.

### 13. 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 nine months ended 30 June 2015 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.

### 14. Insurance Business

ANZ New Zealand conducts insurance business through its subsidiary OnePath Life (NZ) Limited. OnePath Insurance Services (NZ) Limited, which was a subsidiary of OnePath Life (NZ) Limited, also conducted insurance business until it amalgamated with OnePath Life (NZ) Limited on 30 November 2014.

ANZ New Zealand's aggregate amount of insurance business comprises the total consolidated assets of OnePath Life (NZ) Limited of NZ\$862 million (30/06/2014: NZ\$827 million; 30/09/2014 NZ\$850 million), which is 0.6% (30/06/2014: 0.6%; 30/09/2014 0.6%) of the total consolidated assets of ANZ New Zealand.

## Notes to the Financial Statements

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

NZ\$ millions	Face or contract value		
	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
<b>Credit related commitments</b>			
Commitments with certain drawdown due within one year	1,217	990	764
Commitments to provide financial services	29,998	26,409	27,166
Total credit related commitments	<b>31,215</b>	<b>27,399</b>	<b>27,930</b>
<b>Guarantees and contingent liabilities</b>			
Financial guarantees	971	841	925
Standby letters of credit	60	61	79
Transaction related contingent items	1,350	1,199	1,321
Trade related contingent liabilities	90	91	111
Total guarantees and contingent liabilities	<b>2,471</b>	<b>2,192</b>	<b>2,436</b>

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

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

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.

On 3 December 2014, the Commerce Commission and the Financial Markets Authority (FMA) announced settlements with the Bank relating to the Commission's and the FMA's investigations into the promotion, sale and offer of interest rate swaps to rural customers from 2005 to 2009; the settlement includes a payment fund of NZ\$18.5 million and a contribution to the Commission's and the FMA's costs.

## Notes to the Financial Statements

### 16. Additional Disclosures

**NZ Branch Funding** Unaudited  
 NZ\$ millions 30/06/2015

Total liabilities of the NZ Branch less amounts due to related parties 1,137

**Overseas Banking Group Profitability and Size** Unaudited  
 AU\$ millions 31/03/2015

Profit for the six months ended 31/03/2015<sup>1</sup> 3,514

Net profit after tax for the 12 months to 31/03/2015 as a percentage of average total assets 0.93%

Total assets 860,087

Percentage change in total assets in the 12 months to 31/03/2015 16.57%

<sup>1</sup> Net profit after tax for the period includes NZ\$8 million of profit attributable to non-controlling interests.

**Overseas Banking Group asset quality** Unaudited  
 AU\$ millions 31/03/2015

Gross impaired assets 2,708

Gross impaired assets as a percentage of total assets 0.3%

Individual provision 1,114

Individual provision as a percentage of gross impaired assets 41.1%

Collective provision 2,914

### 17. Subsequent Events

On 28 July 2015 ANZ Holdings (New Zealand) Limited redeemed the NZ\$10 million of preference shares that were issued to the Ultimate Parent Bank.



## 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 2015, 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 17 August 2015, 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

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

