

ANZ Bank New Zealand Limited Registered Bank Disclosure Statement

FOR THE THREE MONTHS ENDED 31 DECEMBER 2014 | NUMBER 76 ISSUED FEBRUARY 2015

Registered Bank Disclosure Statement

For the three months ended 31 December 2014

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Glossary of Terms

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

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

General Disclosures

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

Credit Rating Information

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

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

Guarantors

No obligations of the Bank are guaranteed as at 13 February 2015.

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 2014 of \$3,743 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 35, Vero Centre, 48 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

Changes to Conditions of Registration

The conditions of registration applying to the Bank were amended on 1 October 2014 to refer to revised versions of the RBNZ documents *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B), *Connected Exposures Policy* (BS8) and *Framework for Restrictions on High-LVR Residential Mortgage Lending* (BS19).

Directorate

As at 13 February 2015 there have been no changes to the Directors of the Bank since 30 September 2014, the balance date of the last full year disclosure statement.

Auditor

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

Income Statement

\$ millions	Note	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Interest income		1,733	1,501	6,272
Interest expense		1,014	820	3,529
Net interest income		719	681	2,743
Net trading gains		64	64	210
Net funds management and insurance income		101	68	325
Other operating income	2	103	90	547
Share of associates' profit		1	1	3
Operating income		988	904	3,828
Operating expenses		384	372	1,489
Profit before credit impairment and income tax		604	532	2,339
Credit impairment charge / (release)	5	12	(21)	(16)
Profit before income tax		592	553	2,355
Income tax expense		163	153	639
Profit after income tax		429	400	1,716

Statement of Comprehensive Income

\$ millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Profit after income tax	429	400	1,716
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit schemes	-	-	35
Income tax expense relating to items that will not be reclassified	-	-	(10)
Total items that will not be reclassified to profit or loss	-	-	25
Items that may be reclassified subsequently to profit or loss			
Unrealised gains / (losses) recognised directly in equity	14	(19)	(2)
Realised gains transferred to income statement	(12)	(11)	(41)
Income tax credit / (expense) relating to items that may be reclassified	(1)	8	12
Total items that may be reclassified subsequently to profit or loss	1	(22)	(31)
Total comprehensive income	430	378	1,710

Statement of Changes in Equity

\$ millions	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2013 (Audited)	7,243	(2)	26	4,187	11,454
Profit after income tax	-	-	-	400	400
Unrealised gains / (losses) recognised directly in equity	-	3	(22)	-	(19)
Realised gains transferred to the income statement	-	-	(11)	-	(11)
Income tax credit / (expense) on items recognised directly in equity	-	(1)	9	-	8
Total comprehensive income	-	2	(24)	400	378
As at 31 December 2013 (Unaudited)	7,243	-	2	4,587	11,832
As at 1 October 2013 (Audited)	7,243	(2)	26	4,187	11,454
Profit after income tax	-	-	-	1,716	1,716
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
Total comprehensive income	-	2	(33)	1,741	1,710
Ordinary shares issued	970	-	-	-	970
Ordinary dividend paid	-	-	-	(2,340)	(2,340)
Preference dividend paid	-	-	-	(13)	(13)
As at 30 September 2014 (Audited)	8,213	-	(7)	3,575	11,781
Profit after income tax	-	-	-	429	429
Unrealised gains recognised directly in equity	-	-	14	-	14
Realised gains transferred to the income statement	-	-	(12)	-	(12)
Income tax expense on items recognised directly in equity	-	-	(1)	-	(1)
Total comprehensive income	-	-	1	429	430
As at 31 December 2014 (Unaudited)	8,213	-	(6)	4,004	12,211

Balance Sheet

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013 ¹	Audited 30/09/2014
Assets				
Cash		3,386	3,337	1,822
Settlement balances receivable		193	613	855
Collateral paid		1,269	623	783
Trading securities		12,023	11,498	11,750
Investments backing life insurance contract liabilities		199	180	190
Derivative financial instruments		8,574	7,699	11,404
Available-for-sale assets		708	1,115	772
Net loans and advances	4	98,370	91,663	96,299
Other assets		685	542	648
Life insurance contract assets		513	408	470
Investments in associates		89	89	88
Deferred tax assets		-	20	-
Premises and equipment		378	377	380
Goodwill and other intangible assets		3,458	3,446	3,454
Total assets		129,845	121,610	128,915
Interest earning and discount bearing assets		116,137	108,686	111,914
Liabilities				
Settlement balances payable		1,248	1,345	2,296
Collateral received		207	805	800
Deposits and other borrowings	8	88,153	81,851	84,019
Derivative financial instruments		9,318	7,837	10,205
Current tax liabilities		52	33	67
Deferred tax liabilities		86	-	60
Payables and other liabilities		1,292	1,174	1,297
Provisions		183	218	204
Debt issuances		15,972	15,381	17,042
Subordinated debt		1,123	1,134	1,144
Total liabilities		117,634	109,778	117,134
Net assets		12,211	11,832	11,781
Equity				
Share capital		8,213	7,243	8,213
Reserves		(6)	2	(7)
Retained earnings		4,004	4,587	3,575
Total equity		12,211	11,832	11,781
Interest and discount bearing liabilities		99,802	93,757	97,809

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

Condensed Cash Flow Statement

\$ millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013 ¹	Audited Year to 30/09/2014
Cash flows from operating activities			
Interest received	1,686	1,469	6,189
Interest paid	(1,018)	(826)	(3,429)
Other cash inflows provided by operating activities	230	216	951
Other cash outflows used in operating activities	(478)	(517)	(1,898)
Cash flows from operating profits before changes in operating assets and liabilities	420	342	1,813
Net changes in operating assets and liabilities	1,777	2,288	(536)
Net cash flows provided by operating activities	2,197	2,630	1,277
Cash flows from investing activities			
Cash inflows provided by investing activities	-	10	18
Cash outflows used in investing activities	(24)	(21)	(120)
Net cash flows used in investing activities	(24)	(11)	(102)
Cash flows from financing activities			
Cash inflows provided by financing activities	325	1,179	5,401
Cash outflows used in financing activities	(908)	(2,582)	(6,950)
Net cash flows used in financing activities	(583)	(1,403)	(1,549)
Net increase / (decrease) in cash and cash equivalents	1,590	1,216	(374)
Cash and cash equivalents at beginning of the period	1,830	2,204	2,204
Cash and cash equivalents at end of the period	3,420	3,420	1,830

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

Notes to the Financial Statements

1. Significant Accounting Policies

(i) Reporting entity and statement of compliance

These interim financial statements are for the Banking Group for the three months ended 31 December 2014. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 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 Banking Group are consistent with those adopted and disclosed in the previous full year Disclosure Statement.

(iv) Presentation currency and rounding

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

(v) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation. Further information on changes to comparative information is included in note 16.

(vi) Principles of consolidation

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

2. Other Operating Income

\$millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Net fee income	103	105	408
Fair value gain / (loss) on hedging activities	(9)	(7)	35
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	-	-	91
Loss on sale of mortgages to NZ Branch	(3)	(13)	(23)
Other income	12	5	36
Total other operating income	<u>103</u>	<u>90</u>	<u>547</u>

Notes to the Financial Statements

3. Segmental Analysis

The Banking Group is organised into four major business segments for segment reporting purposes - Retail, Commercial, Wealth and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

Segmental reporting has been updated to reflect minor changes to the Banking Group's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

Retail

Retail provides products and services to personal customers via the branch network, mortgage specialists, the contact centre and a variety of self service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Core products include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home loans secured by mortgages over property. Retail distributes insurance and investment products on behalf of the Wealth segment.

Commercial

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

services are offered to small enterprises (typically with annual revenues of less than \$5 million). Commercial & Agri customers consist of primarily privately owned medium to large enterprises. The Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Wealth

Wealth comprises the Private Wealth, Funds Management and Insurance businesses, which provide private banking, investment, superannuation and insurance products and services.

Institutional

Institutional provides financial services through a number of specialised units to large multi-banked corporations, often global, which require sophisticated product and risk management solutions. Those financial services include loan structuring, foreign exchange, wholesale money market services and transaction banking.

Other

Other includes treasury and back office support functions, none of which constitutes a separately reportable segment.

Business segment analysis¹

\$ millions	Retail	Commercial	Wealth ²	Institutional	Other ³	Total
Unaudited 3 months to 31/12/2014						
External revenues	239	786	34	217	(288)	988
Intersegment revenues	80	(397)	42	(63)	338	-
Total revenues	319	389	76	154	50	988
Profit after income tax	118	190	31	67	23	429
Unaudited 3 months to 31/12/2013						
External revenues	264	682	30	215	(287)	904
Intersegment revenues	47	(318)	38	(40)	273	-
Total revenues	311	364	68	175	(14)	904
Profit / (loss) after income tax	117	180	26	98	(21)	400
Audited year to 30/09/2014						
External revenues	991	2,850	211	802	(1,026)	3,828
Intersegment revenues	225	(1,395)	165	(177)	1,182	-
Total revenues	1,216	1,455	376	625	156	3,828
Profit after income tax	412	717	181	320	86	1,716

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

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

³ This segment has negative external revenue as this segment incurs funding costs on behalf of the Banking Group and is reimbursed internally.

Notes to the Financial Statements

4. Net Loans and Advances

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Overdrafts		1,489	1,496	1,744
Credit card outstandings		1,664	1,541	1,580
Term loans - housing		53,972	49,756	52,717
Term loans - non-housing		40,589	38,434	39,622
Lease receivables		261	335	277
Hire purchase		857	746	837
Other		139	125	125
Total gross loans and advances		98,971	92,433	96,902
Less: Provision for credit impairment	5	(660)	(776)	(666)
Less: Unearned income		(218)	(215)	(212)
Add: Capitalised brokerage/mortgage origination fees		231	168	208
Add: Customer liability for acceptances		46	53	67
Total net loans and advances		98,370	91,663	96,299

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of \$8,747 million as at 31 December 2014 (31/12/2013 \$9,958 million, 30/09/2014 \$9,176 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. Provision for Credit Impairment

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 31/12/2014				
Collective provision	77	114	261	452
Individual provision	68	14	126	208
Total provision for credit impairment	145	128	387	660
Collective credit impairment charge / (release)	(1)	(4)	6	1
Individual credit impairment charge / (release)	(3)	15	(1)	11
Credit impairment charge / (release)	(4)	11	5	12
Unaudited 31/12/2013				
Collective provision	100	110	306	516
Individual provision	66	22	172	260
Total provision for credit impairment	166	132	478	776
Collective credit impairment release	(1)	(7)	(18)	(26)
Individual credit impairment charge / (release)	(9)	24	(10)	5
Credit impairment charge / (release)	(10)	17	(28)	(21)
Audited 30/09/2014				
Collective provision	78	118	255	451
Individual provision	72	15	128	215
Total provision for credit impairment	150	133	383	666
Collective credit impairment charge / (release)	(23)	1	(69)	(91)
Individual credit impairment charge / (release)	4	79	(8)	75
Credit impairment charge / (release)	(19)	80	(77)	(16)

Notes to the Financial Statements

6. Impaired and Past Due Assets

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 31/12/2014				
Total impaired assets	140	34	354	528
Loans that are at least 90 days past due but not impaired	94	34	60	188
Unaudited 31/12/2013				
Total impaired assets	163	49	599	811
Loans that are at least 90 days past due but not impaired	89	37	65	191
Audited 30/09/2014				
Total impaired assets	189	35	410	634
Loans that are at least 90 days past due but not impaired	88	30	32	150

7. Financial Assets Pledged as Collateral

\$ millions	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Cash collateral given on derivative financial instruments	1,269	623	783
Trading securities encumbered through repurchase agreements	764	748	47
Residential mortgages pledged as security for covered bonds	7,631	6,364	7,283
Total assets of UDC Finance Limited pledged as collateral for UDC secured investments	2,372	2,266	2,354
Total financial assets pledged as collateral	12,036	10,001	10,467

ANZNZ Covered Bond Trust (the Covered Bond Trust)

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

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

8. Deposits and Other Borrowings

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Certificates of deposit		2,154	1,594	1,376
Term deposits		34,201	34,254	34,758
Other deposits bearing interest and other borrowings		35,729	30,948	34,027
Deposits not bearing interest		6,371	6,135	6,001
Deposits from banks		757	746	226
Commercial paper		7,378	6,567	6,057
UDC secured investments	7	1,562	1,575	1,569
Deposits from other members of ANZ New Zealand		1	32	5
Total deposits and other borrowings		88,153	81,851	84,019

9. Related Party Transactions

\$ millions	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Total due from related parties	3,210	1,680	4,116
Total due to related parties	3,960	4,569	4,834

Notes to the Financial Statements

10. Capital Adequacy

Basel III capital ratios

	Banking Group		
	31/12/2014	31/12/2013	30/09/2014
Unaudited			
Common equity tier 1 capital	11.0%	10.7%	10.7%
Tier 1 capital	11.4%	11.1%	11.1%
Total capital	12.6%	12.7%	12.3%
Buffer ratio	4.6%	4.7%	4.3%
RBNZ minimum ratios:			
Common equity tier 1 capital	4.5%	4.5%	4.5%
Tier 1 capital	6.0%	6.0%	6.0%
Total capital	8.0%	8.0%	8.0%
Buffer requirement	2.5%	n/a	2.5%

Capital of the Banking Group

\$ millions	Unaudited 31/12/2014
Common equity tier 1 capital before deductions	11,911
Less deductions from common equity tier 1 capital	(3,653)
Common equity tier 1 capital	8,258
Additional tier 1 capital - preference shares	300
Total tier 1 capital	8,558
Tier 2 capital	936
Total capital	9,494

Capital requirements of the Banking Group

\$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure ¹	Total capital requirement
Unaudited 31/12/2014			
Corporate exposures	46,141	26,603	2,128
Sovereign exposures	9,646	225	18
Bank exposures	9,198	2,988	239
Retail mortgage exposures	59,410	15,112	1,209
Other retail exposures	10,112	8,145	652
Exposures subject to internal ratings based approach	134,507	53,073	4,246
Specialised lending exposures subject to slotting approach	9,355	8,801	704
Exposures subject to standardised approach	3,774	375	30
Equity exposures	91	384	31
Other exposures	3,950	1,426	114
Total credit risk	151,677	64,059	5,125
Operational risk	n/a	5,194	416
Market risk	n/a	5,963	477
Total	151,677	75,216	6,018

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

Notes to the Financial Statements

Pillar II capital for other material risks

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

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

The Banking Group's internal capital allocation for these other material risks is \$350 million (31/12/2013 \$333 million; 30/09/2014 \$369 million).

Residential mortgages by loan-to-valuation ratio

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

Unaudited \$ millions LVR range	31/12/2014		Total
	On-balance sheet	Off-balance sheet	
Does not exceed 60%	19,607	3,725	23,332
Exceeds 60% and not 70%	9,780	1,055	10,835
Exceeds 70% and not 80%	15,841	1,610	17,451
Does not exceed 80%	45,228	6,390	51,618
Exceeds 80% and not 90%	4,366	232	4,598
Exceeds 90%	2,372	253	2,625
Total	51,966	6,875	58,841

11. Liquidity Portfolio

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

Unaudited 31/12/2014 \$ millions	Cash	Trading Securities	Available-for- sale assets	Total
Balances with central banks	1,999	-	-	1,999
Certificates of deposit	-	478	100	578
Government, local body stock and bonds	-	5,392	518	5,910
Government treasury bills	-	271	-	271
Other bonds	-	4,956	-	4,956
Total liquidity portfolio	1,999	11,097	618	13,714

The Bank also held unencumbered internal residential mortgage backed securities which would entitle the Banking Group to enter into repurchase transactions with a value of \$5,791 million at 31 December 2014.

Notes to the Financial Statements

12. Fair Value Measurements

Financial assets and financial liabilities not measured at fair value

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

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.

\$ millions	Unaudited 31/12/2014		Unaudited 31/12/2013		Audited 30/09/2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Net loans and advances ¹	98,370	98,625	91,663	91,677	96,299	96,397
Liabilities						
Deposits and other borrowings ²	88,153	88,207	81,851	81,860	84,019	84,042
Debt issuances ¹	15,972	16,127	15,381	15,584	17,042	17,225
Subordinated debt	1,123	1,120	1,134	1,049	1,144	1,137

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

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

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

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

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.

Level 2 fair value measurements in the following table are derived by using modelled valuation techniques (including discounted cash flow models) that incorporate market prices / yields for securities with similar credit risk, maturity and yield characteristics; and/or current market yields for similar instruments.

- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

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

Valuation hierarchy

Unaudited 31/12/2014

\$ millions	Unaudited 31/12/2014				Unaudited 31/12/2013				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
Financial assets												
Trading securities	12,018	5	-	12,023	11,386	112	-	11,498	11,659	91	-	11,750
Derivative financial instruments	4	8,570	-	8,574	12	7,687	-	7,699	2	11,402	-	11,404
Available-for-sale assets	706	-	2	708	1,113	-	2	1,115	712	58	2	772
Investments backing life insurance contract liabilities	136	63	-	199	125	55	-	180	129	61	-	190
Total financial assets held at fair value	12,864	8,638	2	21,504	12,636	7,854	2	20,492	12,502	11,612	2	24,116
Financial liabilities												
Deposits and other borrowings	-	7,378	-	7,378	-	6,567	-	6,567	-	6,057	-	6,057
Derivative financial instruments	3	9,315	-	9,318	4	7,833	-	7,837	5	10,200	-	10,205
Payables and other liabilities	177	-	-	177	201	-	-	201	226	-	-	226
Total financial liabilities held at fair value	180	16,693	-	16,873	205	14,400	-	14,605	231	16,257	-	16,488

Notes to the Financial Statements

13. Concentrations of Credit Risk to Individual Counterparties

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

For the three months ended 31 December 2014 there were no individual counterparties, excluding connected parties, governments and banks with long term credit ratings of A- or above, where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Banking Group's equity as at the end of the period.

14. Insurance business

The Banking Group conducts insurance business through its 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.

The Banking Group's aggregate amount of insurance business comprises the total consolidated assets of OnePath Life (NZ) Limited of \$902 million (31/12/2013: \$796 million; 30/09/2014 \$850 million), which is 0.7% (31/12/2013: 0.7%; 30/09/2014 0.7%) of the total consolidated assets of the Banking Group.

15. Credit Related Commitments, Guarantees and Contingent Liabilities

\$ millions	Face or contract value		
	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Credit related commitments			
Commitments with certain drawdown due within one year	884	724	764
Commitments to provide financial services	29,204	25,268	27,378
Total credit related commitments	30,088	25,992	28,142
Guarantees and contingent liabilities			
Financial guarantees	878	982	925
Standby letters of credit	67	40	79
Transaction related contingent items	1,300	1,179	1,321
Trade related contingent liabilities	87	97	111
Total guarantees and contingent liabilities	2,332	2,298	2,436

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

Other contingent liabilities

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

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

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 \$18.5 million and a contribution to the Commission's and the FMA's costs.

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

Notes to the Financial Statements

16. Changes to Comparatives

Comparative information for the period ended 31 December 2013 has been reclassified to conform with current period financial statement presentations that were previously applied in the 30 September 2014 financial statements.

- *Balance sheet classifications:* The classification of the balance sheet was changed during the year ended 30 September 2014 to more consistently reflect the nature of the financial assets and liabilities. Prior to this reclassification, the balance sheet was classified according to both nature and counterparty.
- *Cash and cash equivalents:* Loans and advances with financial institution counterparties with original maturities of less than 90 days and remittances in transit have been removed from the definition of cash equivalents. These balances are now included in net loans and advances and settlement balances receivable respectively. The associated cash inflows/outflows form part of cash flows from operating activities.

The table below shows the impact of these changes on the balance sheet, together with the impact of the change in the definition of cash and cash equivalents. 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	31/12/2013		Currently reported
	Previously reported	Change	
Assets			
Liquid assets	3,249	(3,249)	-
Due from other financial institutions	1,699	(1,699)	-
Cash	-	3,337	3,337
Settlement balances receivable	-	613	613
Collateral paid	-	623	623
Available-for-sale assets	1,115	-	1,115
Net loans and advances	91,219	444	91,663
Other assets	611	(69)	542
All other assets	23,717	-	23,717
Total assets	121,610	-	121,610
Liabilities			
Due to other financial institutions	2,315	(2,315)	-
Settlement balances payable	-	1,345	1,345
Collateral received	-	805	805
Deposits and other borrowings	81,074	777	81,851
Due to immediate parent company	31	(31)	-
Payables and other liabilities	1,755	(581)	1,174
All other liabilities	24,603	-	24,603
Total liabilities	109,778	-	109,778
Equity	11,832	-	11,832
Cash and cash equivalents in cash flow statement	4,040	(620)	3,420

17. Subsequent Events

On 21 January 2015, the Bank's Board resolved to issue New Zealand dollar securities to the NZ Branch. These securities will qualify as additional tier 1 capital for the Bank. The amount of securities issued will be the New Zealand Dollar equivalent of the ANZ Capital Notes 3 (A\$850 million, with the ability to issue more or less) expected to be issued on 5 March 2015 by the NZ Branch.

On 13 February 2015, the Bank's Board:

- resolved to pay a preference dividend of \$7.5 million on 2 March 2015 and an ordinary dividend of \$500 million on or about 6 March 2015.
- resolved to pay a further ordinary dividend of \$515 million on or about 6 March 2015, subject to the issue of the additional tier 1 capital securities approved on 21 January 2015.
- resolved to repay an A\$265,740,000 perpetual subordinated floating rate loan from the Ultimate Parent Bank on 16 March 2015. This loan previously qualified as transitional tier 2 capital under the RBNZ's Basel III capital requirements.

Directors' Statement

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

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

Over the three months ended 31 December 2014, after due enquiry, each Director believes that:

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

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 13 February 2015.

Antony Carter



Shayne Elliott



David Hisco



John Judge
(also on behalf of Michael Smith)



Mark Verbiest



Nigel Williams
(alternate director for Michael Smith)



Joan Withers



