

# ANZ Bank New Zealand Limited Registered Bank Disclosure Statement

FOR THE NINE MONTHS ENDED 30 JUNE 2015 | NUMBER 78 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 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 14 August 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 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.

### Conditions of Registration

The Bank has identified that due to noncompliance with a documented internal process, the Bank was required to include the assets of the associated Bonus Bonds unit trust in the risk weighted exposures for the Banking Group for capital adequacy purposes. As a result, the Bank was technically in a position of noncompliance with Condition of Registration 1B for a period of time. These assets are included in the Banking Group's risk weighted exposures as at 30 June 2015 and, as at that date, the Bank was in full compliance with its Conditions of Registration. The Banking Group's capital ratios were not materially affected, and no additional capital is required to be held as a result of including these assets in the Banking Group's risk weighted exposures. The Bank proactively brought this matter to the attention of the RBNZ, who have acknowledged that the matter is not material, technical in nature, and that no further action is warranted on the part of the RBNZ.

### Directorate

As at 14 August 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

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		5,197	4,588	6,272
Interest expense		3,059	2,551	3,529
Net interest income		<u>2,138</u>	2,037	2,743
Net trading gains		218	145	210
Net funds management and insurance income		280	232	325
Other operating income	2	367	381	547
Share of associates' profit		4	3	3
Operating income		<u>3,007</u>	2,798	3,828
Operating expenses		<u>1,134</u>	1,095	1,489
Profit before credit impairment and income tax		<u>1,873</u>	1,703	2,339
Credit impairment charge / (release)	5	56	(26)	(16)
<b>Profit before income tax</b>		<u>1,817</u>	1,729	2,355
Income tax expense		502	473	639
<b>Profit after income tax</b>		<u>1,315</u>	1,256	1,716

## 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>1,315</b>	1,256	1,716
<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>1,286</u>	1,245	1,710

## Statement of Changes in Equity

NZ\$ 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	-	-	-	1,256	1,256
Unrealised gains / (losses) recognised directly in equity	-	3	(10)	-	(7)
Realised gains transferred to the income statement	-	-	(33)	-	(33)
Actuarial gain on defined benefit schemes	-	-	-	25	25
Income tax credit / (expense) on items recognised directly in equity	-	(1)	12	(7)	4
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2</b>	<b>(31)</b>	<b>1,274</b>	<b>1,245</b>
Ordinary dividend paid	-	-	-	(1,510)	(1,510)
Preference dividend paid	-	-	-	(6)	(6)
Ordinary shares issued	970	-	-	-	970
<b>As at 30 June 2014 (Unaudited)</b>	<b>8,213</b>	<b>-</b>	<b>(5)</b>	<b>3,945</b>	<b>12,153</b>
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
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2</b>	<b>(33)</b>	<b>1,741</b>	<b>1,710</b>
Ordinary dividend paid	-	-	-	(2,340)	(2,340)
Preference dividend paid	-	-	-	(13)	(13)
Ordinary shares issued	970	-	-	-	970
<b>As at 30 September 2014 (Audited)</b>	<b>8,213</b>	<b>-</b>	<b>(7)</b>	<b>3,575</b>	<b>11,781</b>
Profit after income tax	-	-	-	1,315	1,315
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>1,296</b>	<b>1,286</b>
Ordinary dividend paid	-	-	-	(1,015)	(1,015)
Preference dividend paid	-	-	-	(7)	(7)
<b>As at 30 June 2015 (Unaudited)</b>	<b>8,213</b>	<b>1</b>	<b>(18)</b>	<b>3,849</b>	<b>12,045</b>

## Balance Sheet

NZ\$ millions	Note	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
<b>Assets</b>				
Cash		3,643	3,041	1,822
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		16,507	7,653	11,404
Current tax assets		78	95	-
Available-for-sale assets		782	1,056	772
Net loans and advances	4	105,262	94,193	96,299
Other assets		717	612	648
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>146,428</b>	<b>125,874</b>	<b>128,915</b>
Interest earning and discount bearing assets		124,684	112,740	111,914
<b>Liabilities</b>				
Settlement balances payable		1,620	1,539	2,296
Collateral received		1,278	553	800
Deposits and other borrowings	8	91,890	85,329	84,019
Derivative financial instruments		15,957	8,073	10,205
Current tax liabilities		-	-	67
Deferred tax liabilities		98	50	60
Payables and other liabilities		1,689	1,267	1,297
Provisions		195	205	204
Debt issuances		19,313	15,573	17,042
Subordinated debt		2,343	1,132	1,144
<b>Total liabilities</b>		<b>134,383</b>	<b>113,721</b>	<b>117,134</b>
<b>Net assets</b>		<b>12,045</b>	<b>12,153</b>	<b>11,781</b>
<b>Equity</b>				
Share capital		8,213	8,213	8,213
Reserves		(17)	(5)	(7)
Retained earnings		3,849	3,945	3,575
<b>Total equity</b>		<b>12,045</b>	<b>12,153</b>	<b>11,781</b>
Interest and discount bearing liabilities		109,679	97,357	97,809

## 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	5,129	4,530	6,189
Interest paid	(2,967)	(2,488)	(3,429)
Other cash inflows provided by operating activities	688	706	951
Other cash outflows used in operating activities	(1,679)	(1,505)	(1,898)
Cash flows from operating profits before changes in operating assets and liabilities	1,171	1,243	1,813
Net changes in operating assets and liabilities	(420)	1,008	(536)
<b>Net cash flows provided by operating activities</b>	<b>751</b>	<b>2,251</b>	<b>1,277</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	4,296	4,686	5,401
Cash outflows used in financing activities	(3,089)	(5,876)	(6,950)
<b>Net cash flows provided by / (used in) financing activities</b>	<b>1,207</b>	<b>(1,190)</b>	<b>(1,549)</b>
Net increase / (decrease) in cash and cash equivalents	1,881	990	(374)
Cash and cash equivalents at beginning of the period	1,830	2,204	2,204
<b>Cash and cash equivalents at end of the period</b>	<b>3,711</b>	<b>3,194</b>	<b>1,830</b>

## Notes to the Financial Statements

### 1. Significant Accounting Policies

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

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

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

### 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	304	306	408
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	25	(6)	35
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	-	91	91
Loss on sale of mortgages to NZ Branch	(2)	(23)	(23)
Other income	40	13	36
Total other operating income	<b>367</b>	<b>381</b>	<b>547</b>



## Notes to the Financial Statements

### 3. Segment 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 NZ\$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 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	725	2,359	114	676	(867)	3,007
Intersegment revenues	230	(1,202)	124	(175)	1,023	-
Total revenues	955	1,157	238	501	156	3,007
Profit after income tax	330	545	100	253	87	1,315
<b>Unaudited 9 months to 30/06/2014</b>						
External revenues	753	2,085	178	592	(810)	2,798
Intersegment revenues	154	(1,002)	121	(130)	857	-
Total revenues	907	1,083	299	462	47	2,798
Profit after income tax	308	538	148	237	25	1,256
<b>Audited year to 30/09/2014</b>						
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

<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 the Banking Group 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		58,134	51,535	52,717
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		105,773	95,028	96,902
Less: Provision for credit impairment	5	(638)	(692)	(666)
Less: Unearned income		(214)	(361)	(212)
Add: Capitalised brokerage/mortgage origination fees		290	189	208
Add: Customer liability for acceptances		51	29	67
Total net loans and advances		105,262	94,193	96,299

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ\$7,719 million as at 30 June 2015 (30/06/2014 NZ\$9,743 million, 30/09/2014 NZ\$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

NZ\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
<b>Unaudited 30/06/2015</b>				
Collective provision	85	123	259	467
Individual provision	60	8	103	171
Total provision for credit impairment	145	131	362	638
Collective credit impairment charge	7	5	4	16
Individual credit impairment charge / (release)	(6)	47	(1)	40
Credit impairment charge	1	52	3	56
<b>Unaudited 30/06/2014</b>				
Collective provision	86	112	282	480
Individual provision	53	22	137	212
Total provision for credit impairment	139	134	419	692
Collective credit impairment release	(15)	(5)	(42)	(62)
Individual credit impairment charge / (release)	(4)	63	(23)	36
Credit impairment charge / (release)	(19)	58	(65)	(26)
<b>Audited 30/09/2014</b>				
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

NZ\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
<b>Unaudited 30/06/2015</b>				
Total impaired assets	112	31	269	412
Loans that are at least 90 days past due but not impaired	117	36	59	212
<b>Unaudited 30/06/2014</b>				
Total impaired assets	168	39	423	630
Loans that are at least 90 days past due but not impaired	101	36	77	214
<b>Audited 30/09/2014</b>				
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

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

#### 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

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
Deposits from other members of ANZ New Zealand		7	6	5
Total deposits and other borrowings		91,890	85,329	84,019

### 9. Related Party Balances

NZ\$ millions	Unaudited 30/06/2015	Unaudited 30/06/2014	Audited 30/09/2014
Total due from related parties	4,369	2,932	4,116
Total due to related parties	5,879	3,559	4,834

## Notes to the Financial Statements

### 10. Capital Adequacy

#### Basel III capital ratios

	Banking Group		
	30/06/2015	30/06/2014	30/09/2014
<b>Unaudited</b>			
Common equity tier 1 capital	10.0%	11.3%	10.7%
Tier 1 capital	12.3%	11.8%	11.1%
Total capital	13.1%	13.0%	12.3%
Buffer ratio	5.1%	5.0%	4.3%
<b>RBNZ minimum ratios:</b>			
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%	2.5%	2.5%

#### Capital of the Banking Group

NZ\$ millions	Unaudited 30/06/2015
Common equity tier 1 capital before deductions	11,745
Less deductions from common equity tier 1 capital	(3,702)
Common equity tier 1 capital	8,043
Additional tier 1 capital	1,836
Total tier 1 capital	9,879
Tier 2 capital	702
Total capital	10,581

#### Capital requirements of the Banking Group

NZ\$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure <sup>1</sup>	Total capital requirement
<b>Unaudited 30/06/2015</b>			
Corporate exposures	48,339	27,572	2,206
Sovereign exposures	11,199	309	25
Bank exposures	12,201	3,831	306
Retail mortgage exposures	64,294	15,992	1,278
Other retail exposures	10,551	8,470	678
Exposures subject to internal ratings based approach	146,584	56,174	4,493
Specialised lending exposures subject to slotting approach	9,731	9,132	731
Exposures subject to standardised approach	2,055	356	29
Equity exposures	92	389	31
Other exposures	3,311	1,469	117
Total credit risk	161,773	67,520	5,401
Operational risk	n/a	5,496	440
Market risk	n/a	7,624	610
Total	161,773	80,640	6,451

<sup>1</sup> 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 pension risk, insurance risk, strategic equity risk, fixed asset risk, deferred acquisition cost risk, value in-force risk, business retention risk and software risk.

The Banking Group's internal capital allocation for these other material risks is NZ\$450 million (30/06/2014 NZ\$457 million; 30/09/2014 NZ\$485 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating to software, strategic equity and value in-force risk) were applied in March 2015 and prior periods restated accordingly.

### Residential mortgages by loan-to-valuation ratio

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

Unaudited NZ\$ millions LVR range	30/06/2015		Total
	On-balance sheet	Off-balance sheet	
Does not exceed 60%	20,977	3,960	24,937
Exceeds 60% and not 70%	10,673	1,201	11,874
Exceeds 70% and not 80%	17,793	1,958	19,751
Does not exceed 80%	49,443	7,119	56,562
Exceeds 80% and not 90%	4,520	237	4,757
Exceeds 90%	2,143	243	2,386
Total	56,106	7,599	63,705

## 11. Liquidity Portfolio

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

Unaudited 30/06/2015 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.

## 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.

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>	105,262	105,755	94,193	94,203	96,299	96,397
<b>Liabilities</b>						
Deposits and other borrowings <sup>2</sup>	91,890	92,041	85,329	85,320	84,019	84,042
Debt issuances <sup>1</sup>	19,313	19,458	15,573	15,742	17,042	17,225
Subordinated debt	2,343	2,335	1,132	1,113	1,144	1,137

<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

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 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

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	16,501	-	16,507	4	7,649	-	7,653	2	11,402	-	11,404
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
Total financial assets held at fair value	12,500	17,185	2	29,687	13,664	7,709	2	21,375	12,502	11,612	2	24,116
<b>Financial liabilities</b>												
Deposits and other borrowings	-	6,877	-	6,877	-	6,951	-	6,951	-	6,057	-	6,057
Derivative financial instruments	4	15,953	-	15,957	5	8,068	-	8,073	5	10,200	-	10,205
Payables and other liabilities	526	-	-	526	194	-	-	194	226	-	-	226
Total financial liabilities held at fair value	530	22,830	-	23,360	199	15,019	-	15,218	231	16,257	-	16,488

<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.

## Notes to the Financial Statements

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

The Banking Group 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 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 NZ\$862 million (30/06/2014: NZ\$827 million; 30/09/2014 NZ\$850 million), which is 0.6% (30/06/2014: 0.7%; 30/09/2014 0.7%) of the total consolidated assets of the Banking Group.

### 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	30,223	26,621	27,378
Total credit related commitments	<b>31,440</b>	<b>27,611</b>	<b>28,142</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>

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.

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.

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.

### 16. Subsequent Events

On 14 August 2015 the Bank's Board resolved to pay a preference dividend of NZ\$7 million on 1 September 2015 and to pay an ordinary dividend of NZ\$730 million no later than 30 September 2015.

## Directors' Statement

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

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

Over the nine months ended 30 June 2015, 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 except as noted on page 2;
- (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, 14 August 2015.**

Antony Carter



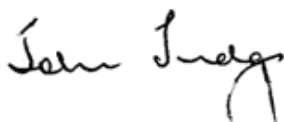
Shayne Elliott



David Hisco



John Judge



Michael Smith



Mark Verbiest



Joan Withers







