ANZ Bank New Zealand Limited
Registered Bank Disclosure Statement

FOR THE SIX MONTHS ENDED 31 MARCH 2014 | NUMBER 73 ISSUED MAY 2014

Registered Bank Disclosure Statement

For the six months ended 31 March 2014

Contents

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 May 2014.

ANZNZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 March 2014 of $3,828 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 35, 48 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

Changes to Conditions of Registration

The conditions of registration applying to the Bank were amended on 30 March 2014 to refer to a revised version of the RBNZ document BS19, which allows construction loans to be exempted from the existing restrictions on high loan-to-value residential mortgage lending. Certain definitions in the conditions were also updated to reflect the Financial Reporting Act 2013 coming into force on 1 April 2014.

Directorate

Nigel Williams was appointed as an alternate director for Michael Smith on 8 January 2014. Mr Williams is the Chief Risk Officer of the Ultimate Parent Bank.

Auditor

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

Income Statement

$ millions	Note	Unaudited 6 months to 31/03/2014	Unaudited 6 months to 31/03/2013 [1]	Audited Year to 30/09/2013 [1]
Interest income		**2,998**	2,991	5,957
Interest expense		**1,644**	1,699	3,344
Net interest income		**1,354**	1,292	2,613
Net trading gains		**94**	112	163
Net funds management and insurance income		**149**	134	234
Other operating income	2	**278**	171	419
Share of associates' profit		**1**	4	7
Operating income		**1,876**	1,713	3,436
Operating expenses		**727**	773	1,512
Profit before credit impairment and income tax		**1,149**	940	1,924
Credit impairment charge / (release)	5	**(42)**	40	63
Profit before income tax		**1,191**	900	1,861
Income tax expense		**324**	239	490
Profit after income tax		**867**	661	1,371

Statement of Comprehensive Income

$ millions	Unaudited 6 months to 31/03/2014	Unaudited 6 months to 31/03/2013 [1]	Audited Year to 30/09/2013 [1]
Profit after income tax	**867**	661	1,371
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit schemes	**24**	20	71
Income tax expense relating to items that will not be reclassified	**(7)**	(6)	(20)
Total items that will not be reclassified to profit or loss	**17**	14	51
Items that may be reclassified subsequently to profit or loss			
Unrealised losses recognised directly in equity	**(16)**	(39)	(138)
Realised gains transferred to income statement	**(22)**	(14)	(21)
Income tax credit relating to items that may be reclassified	**10**	15	45
Total items that may be reclassified subsequently to profit or loss	**(28)**	(38)	(114)
Total comprehensive income for the period	**856**	637	1,308

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

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 2012 (Audited)	6,943	(3)	141	3,851	10,932
Restatement (Note 1)	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)	6,943	(3)	141	3,830	10,911
Profit after income tax	-	-	-	661	661
Unrealised gains / (losses) recognised directly in equity	-	1	(40)	-	(39)
Realised gains transferred to the income statement	-	-	(14)	-	(14)
Actuarial gain on defined benefit schemes	-	-	-	20	20
Income tax credit / (expense) on items recognised directly in equity	-	-	15	(6)	9
Total comprehensive income for the period	-	1	(39)	675	637
Ordinary dividend paid	-	-	-	(465)	(465)
As at 31 March 2013 (Restated, unaudited)	6,943	(2)	102	4,040	11,083
As at 1 October 2012 (Audited)	6,943	(3)	141	3,851	10,932
Restatement (Note 1)	-	-	-	(21)	(21)
As at 1 October 2012 (Restated, audited)	6,943	(3)	141	3,830	10,911
Profit after income tax	-	-	-	1,371	1,371
Unrealised gains / (losses) recognised directly in equity	-	1	(139)	-	(138)
Realised gains transferred to the income statement	-	-	(21)	-	(21)
Actuarial gain on defined benefit schemes	-	-	-	71	71
Income tax credit / (expense) on items recognised directly in equity	-	-	45	(20)	25
Total comprehensive income for the period	-	1	(115)	1,422	1,308
Ordinary dividend paid	-	-	-	(1,065)	(1,065)
Preference shares issued	300	-	-	-	300
As at 30 September 2013 (Restated, audited)	**7,243**	**(2)**	**26**	**4,187**	**11,454**
Profit after income tax	**-**	**-**	**-**	**867**	**867**
Unrealised gains / (losses) recognised directly in equity	**-**	**3**	**(19)**	**-**	**(16)**
Realised gains transferred to the income statement	**-**	**-**	**(22)**	**-**	**(22)**
Actuarial gain on defined benefit schemes	**-**	**-**	**-**	**24**	**24**
Income tax credit / (expense) on items recognised directly in equity	**-**	**(1)**	**11**	**(7)**	**3**
Total comprehensive income for the period	**-**	**2**	**(30)**	**884**	**856**
Ordinary dividend paid	**-**	**-**	**-**	**(540)**	**(540)**
Preference dividend paid	**-**	**-**	**-**	**(5)**	**(5)**
As at 31 March 2014 (Unaudited)	**7,243**	**-**	**(4)**	**4,526**	**11,765**

Balance Sheet

$ millions	Note	Unaudited 31/03/2014	Unaudited 31/03/2013 [1]	Audited 30/09/2013 [1]
Assets				
Cash		**1,717**	3,459	2,206
Settlement balances receivable		**705**	700	514
Collateral paid		**1,367**	1,142	1,002
Trading securities		**12,090**	10,419	10,320
Investments backing insurance contract liabilities		**165**	161	172
Derivative financial instruments		**8,744**	9,012	9,518
Current tax assets		**33**	53	-
Available-for-sale assets		**667**	1,032	942
Net loans and advances	4	**93,391**	88,181	90,837
Other assets		**604**	593	567
Insurance contract assets		**431**	422	399
Investment in associates		**89**	98	98
Deferred tax assets		**-**	81	45
Premises and equipment		**373**	339	376
Goodwill and other intangible assets		**3,449**	3,502	3,448
Total assets		**123,825**	119,194	120,444
Interest earning and discount bearing assets		**109,757**	104,149	105,866
Liabilities				
Settlement balances payable		**1,533**	1,754	1,428
Collateral received		**452**	267	438
Deposits and other borrowings	8	**81,457**	76,424	78,816
Derivative financial instruments		**9,645**	10,173	10,243
Current tax liabilities		**-**	-	3
Deferred tax liabilities		**15**	-	-
Payables and other liabilities		**1,213**	1,432	1,195
Provisions		**211**	272	229
Bonds and notes		**16,405**	16,611	15,494
Subordinated debt		**1,129**	1,178	1,144
Total liabilities		**112,060**	108,111	108,990
Net assets		**11,765**	11,083	11,454
Equity				
Share capital		**7,243**	6,943	7,243
Reserves		**(4)**	100	24
Retained earnings		**4,526**	4,040	4,187
Total equity		**11,765**	11,083	11,454
Interest and discount bearing liabilities		**94,188**	89,633	91,061

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

The notes to the financial statements form part of and should be read in conjunction with these financial statements

Condensed Cash Flow Statement

$ millions	Unaudited 6 months to 31/03/2014	Unaudited 6 months to 31/03/2013	Audited Year to 30/09/2013
Cash flows from operating activities			
Interest received	**2,955**	2,960	5,916
Interest paid	**(1,649)**	(1,716)	(3,368)
Other cash inflows provided by operating activities	**505**	436	877
Other cash outflows used in operating activities	**(1,012)**	(1,123)	(1,940)
Cash flows from operating profits before changes in operating assets and liabilities	**799**	557	1,485
Net changes in operating assets and liabilities	**(631)**	1,459	1,192
Net cash flows provided by operating activities	**168**	2,016	2,677
Cash flows from investing activities			
Cash inflows provided by investing activities	**10**	1	69
Cash outflows used in investing activities	**(44)**	(56)	(142)
Net cash flows used in investing activities	**(34)**	(55)	(73)
Cash flows from financing activities			
Cash inflows provided by financing activities	**2,918**	1,105	2,678
Cash outflows used in financing activities	**(3,178)**	(2,343)	(5,676)
Net cash flows used in financing activities	**(260)**	(1,238)	(2,998)
Net increase / (decrease) in cash and cash equivalents	**(126)**	723	(394)
Cash and cash equivalents at beginning of the period	**2,861**	3,255	3,255
Cash and cash equivalents at end of the period	**2,735**	3,978	2,861

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 six months ended 31 March 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 2013.

(ii) Basis of measurement

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

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

(iii) Changes in accounting policies

The Banking Group has applied the following new accounting standards and amendments in the preparation of these financial statements:

- NZ IFRS 10 *Consolidated Financial Statements*;
- NZ IFRS 13 *Fair Value Measurement;*
- NZ IAS 19 *Employee Benefits* (amended 2011);
- NZ IAS 28 *Investments in Associates and Joint Ventures* (amended 2011); and
- NZ IAS 34 *Interim Financial Reporting* (consequential amendments).

Adoption of these standards has not resulted in any material change to the Banking Group's reported result or financial position.

NZ IAS 19 has been applied retrospectively, in accordance with transitional provisions, with the net impact of initial application recognised in retained earnings as at 30 September 2012 and shown in the statement of changes in equity. The balances of payables and other liabilities and the associated deferred tax asset have been restated for subsequent periods.

Amendments to NZ IAS 34 require certain fair value disclosures which have been included in Note 12, however comparative information is not required in the first year of application.

(iv) Presentation currency and rounding

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

(v) Comparatives

In addition to restatements resulting from the initial application of NZ IAS 19, certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. Further information on changes to comparative information is included in note 16.

(vi) Principles of consolidation

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

2. Other Operating Income

$millions	Unaudited 6 months to 31/03/2014	Unaudited 6 months to 31/03/2013	Audited Year to 30/09/2013
Net fee income	**207**	211	423
Fair value loss on hedging activities and financial liabilities designated at fair value	**(15)**	(46)	(35)
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	**91**	-	-
Gain / (loss) on sale of subsidiary and associate	**-**	(1)	13
Loss on sale of mortgages to NZ Branch	**(14)**	(9)	(14)
Other income	**9**	16	32
Total other operating income	**278**	171	419

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 analysis[1]

$ millions	Retail	Commercial	Wealth[2]	Institutional	Other[3]	Total
Unaudited 6 months to 31/03/2014						
External revenues	**514**	**1,354**	**151**	**397**	**(540)**	**1,876**
Intersegment revenues	**90**	**(644)**	**76**	**(81)**	**559**	**-**
Total revenues	**604**	**710**	**227**	**316**	**19**	**1,876**
Profit after income tax	**200**	**372**	**121**	**162**	**12**	**867**
Unaudited 6 months to 31/03/2013						
External revenues	479	1,331	41	460	(598)	1,713
Intersegment revenues	84	(622)	73	(126)	591	-
Total revenues	563	709	114	334	(7)	1,713
Profit / (loss) after income tax	156	329	38	167	(29)	661
Audited year to 30/09/2013						
External revenues	985	2,675	80	816	(1,120)	3,436
Intersegment revenues	173	(1,248)	149	(211)	1,137	-
Total revenues	1,158	1,427	229	605	17	3,436
Profit / (loss) after income tax	333	689	81	283	(15)	1,371

[1] Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
[2] Wealth external revenues for the six months to 31 March 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 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

$ millions	Note	Unaudited 31/03/2014	Unaudited 31/03/2013	Audited 30/09/2013
Overdrafts		**1,789**	1,718	1,841
Credit card outstandings		**1,525**	1,415	1,458
Term loans - housing		**51,396**	47,430	49,521
Term loans - non-housing		**38,521**	37,782	38,024
Lease receivables		**112**	149	128
Hire purchase		**768**	668	721
Other		**125**	135	125
Total gross loans and advances		**94,236**	89,297	91,818
Less: Provision for credit impairment	5	**(722)**	(951)	(826)
Less: Unearned income		**(351)**	(326)	(342)
Add: Capitalised brokerage/mortgage origination fees		**176**	130	156
Add: Customer liability for acceptances		**52**	31	31
Total net loans and advances		**93,391**	88,181	90,837

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of $9,175 million as at 31 March 2014 (31/03/2013 $9,491 million, 30/09/2013 $9,256 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. Provision for Credit Impairment

Credit impairment charge / (release)

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2014				
New and increased provisions	**22**	**62**	**45**	**129**
Write-backs	**(26)**	**(10)**	**(60)**	**(96)**
Recoveries of amounts written off previously	**(1)**	**(9)**	**(5)**	**(15)**
Individual credit impairment charge / (release)	**(5)**	**43**	**(20)**	**18**
Collective credit impairment release	**(11)**	**(3)**	**(46)**	**(60)**
Credit impairment charge / (release)	**(16)**	**40**	**(66)**	**(42)**
Unaudited 31/03/2013				
New and increased provisions	42	46	93	181
Write-backs	(29)	(11)	(58)	(98)
Recoveries of amounts written off previously	-	(8)	(2)	(10)
Individual credit impairment charge	13	27	33	73
Collective credit impairment release	-	(13)	(20)	(33)
Credit impairment charge	13	14	13	40
Audited 30/09/2013				
New and increased provisions	87	113	157	357
Write-backs	(75)	(30)	(104)	(209)
Recoveries of amounts written off previously	(2)	(16)	(5)	(23)
Individual credit impairment charge	10	67	48	125
Collective credit impairment release	(3)	(8)	(51)	(62)
Credit impairment charge / (release)	7	59	(3)	63

Notes to the Financial Statements

Movement in provision for credit impairment

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2014				
Collective provision				
Balance at beginning of the period	**101**	**117**	**324**	**542**
Release to income statement	**(11)**	**(3)**	**(46)**	**(60)**
Balance at end of the period	**90**	**114**	**278**	**482**
Individual provision				
Balance at beginning of the period	**74**	**22**	**188**	**284**
New and increased provisions net of write-backs	**(4)**	**52**	**(15)**	**33**
Bad debts written off	**-**	**(55)**	**(25)**	**(80)**
Discount unwind reversal / (discount unwind)	**(2)**	**-**	**5**	**3**
Balance at end of the period	**68**	**19**	**153**	**240**
Total provision for credit impairment	**158**	**133**	**431**	**722**
Unaudited 31/03/2013				
Collective provision				
Balance at beginning of the period	104	125	375	604
Release to income statement	-	(13)	(20)	(33)
Balance at end of the period	104	112	355	571
Individual provision				
Balance at beginning of the period	119	26	305	450
New and increased provisions net of write-backs	13	35	35	83
Bad debts written off	(12)	(40)	(85)	(137)
Discount unwind	(4)	-	(12)	(16)
Balance at end of the period	116	21	243	380
Total provision for credit impairment	220	133	598	951
Audited 30/09/2013				
Collective provision				
Balance at beginning of the year	104	125	375	604
Release to income statement	(3)	(8)	(51)	(62)
Balance at end of the year	101	117	324	542
Individual provision				
Balance at beginning of the year	119	26	305	450
New and increased provisions net of write-backs	12	83	53	148
Bad debts written off	(49)	(87)	(150)	(286)
Discount unwind	(8)	-	(20)	(28)
Balance at end of the year	74	22	188	284
Total provision for credit impairment	175	139	512	826

Notes to the Financial Statements

6. Impaired Assets and Past Due Assets

$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 31/03/2014				
Balance at the beginning of the period	**179**	**49**	**666**	**894**
Transfers from productive	**88**	**78**	**129**	**295**
Transfers to productive	**(19)**	**(1)**	**(60)**	**(80)**
Assets realised or loans repaid	**(68)**	**(19)**	**(171)**	**(258)**
Write offs	**-**	**(55)**	**(25)**	**(80)**
Total impaired assets	**180**	**52**	**539**	**771**
Undrawn facilities with impaired customers	**-**	**1**	**34**	**35**
Unaudited 31/03/2013				
Balance at the beginning of the period	313	44	1,009	1,366
Transfers from productive	165	58	151	374
Transfers to productive	(1)	(1)	(30)	(32)
Assets realised or loans repaid	(151)	(15)	(207)	(373)
Write offs	(12)	(40)	(85)	(137)
Total impaired assets	314	46	838	1,198
Undrawn facilities with impaired customers	-	-	17	17
Audited 30/09/2013				
Balance at the beginning of the period	313	44	1,009	1,366
Transfers from productive	268	134	401	803
Transfers to productive	(91)	(5)	(194)	(290)
Assets realised or loans repaid	(262)	(37)	(400)	(699)
Write offs	(49)	(87)	(150)	(286)
Total impaired assets	179	49	666	894
Undrawn facilities with impaired customers	-	1	24	25

Credit quality of financial assets that are past due but not impaired

A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the fair value of associated security should be sufficient to ensure that the Banking Group will recover the entire amount owing over the life of the facility and there is reasonable assurance that collection efforts will result in payment of the amounts due in a timely manner.

Ageing analysis of loans that are past due but not impaired

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2014				
1 to 5 days	**348**	**135**	**559**	**1,042**
6 to 29 days	**217**	**102**	**84**	**403**
1 to 29 days	**565**	**237**	**643**	**1,445**
30 to 59 days	**153**	**38**	**240**	**431**
60 to 89 days	**57**	**19**	**18**	**94**
90 days or over	**110**	**39**	**66**	**215**
	885	**333**	**967**	**2,185**

Notes to the Financial Statements

7. Financial Assets Pledged as Collateral

$ millions	Unaudited 31/03/2014	Unaudited 31/03/2013	Audited 30/09/2013
Cash collateral given on derivative financial instruments	**1,367**	1,142	1,002
Trading securities encumbered through repurchase agreements	**32**	343	108
Residential mortgages pledged as security for covered bonds	**6,780**	5,548	5,857
Total assets of UDC Finance Limited pledged as collateral for UDC secured investments	**2,272**	2,125	2,162
Total financial assets pledged as collateral	**10,451**	9,158	9,129

ANZNZ Covered Bond Trust (the Covered Bond Trust)

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

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 31/03/2014	Unaudited 31/03/2013	Audited 30/09/2013
Certificates of deposit		**1,604**	1,624	2,364
Term deposits		**34,869**	33,732	33,862
Other deposits bearing interest and other borrowings		**31,833**	28,347	29,687
Deposits not bearing interest		**5,833**	5,717	5,526
Deposits from banks		**361**	491	180
Commercial paper		**5,401**	4,336	4,765
UDC secured investments	7	**1,534**	1,467	1,492
Deposits from other members of ANZ New Zealand		**22**	710	940
Total deposits and other borrowings		**81,457**	76,424	78,816

9. Related Party Transactions

$ millions	Unaudited 31/03/2014	Unaudited 31/03/2013	Audited 30/09/2013
Total due from related parties	**2,921**	1,992	2,193
Total due to related parties	**4,999**	5,134	5,132

Notes to the Financial Statements

10. Capital Adequacy

Basel III capital ratios	Banking Group			Bank		
	31/03/2014	31/03/2013	30/09/2013	31/03/2014	31/03/2013	30/09/2013
Unaudited						
Common equity tier 1 capital	**10.7%**	10.2%	10.4%	**9.3%**	9.0%	9.2%
Tier 1 capital	**11.1%**	10.2%	10.8%	**9.8%**	9.0%	9.7%
Total capital	**12.4%**	11.8%	12.4%	**11.1%**	10.7%	11.3%
Buffer ratio	**4.4%**	3.8%	4.4%			
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	n/a			

Capital of the Banking Group

$ millions	Unaudited 31/03/2014
Tier 1 capital	
Common equity tier 1 capital	
Paid up ordinary shares issued by the Bank	**6,943**
Retained earnings (net of appropriations)	**4,526**
Accumulated other comprehensive income and other disclosed reserves	**(4)**
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	**(3,449)**
Deferred tax assets less deferred tax liabilities relating to temporary differences	**(38)**
Cash flow hedge reserve	**4**
Expected losses to the extent greater than total eligible allowances for impairment	**(207)**
Common equity tier 1 capital	**7,775**
Additional tier 1 capital	**300**
Total tier 1 capital	**8,075**
Tier 2 capital	
Qualifying amounts of tier 2 capital instruments subject to phase-out under RBNZ Basel III transition arrangements	
NZD 835,000,000 perpetual subordinated bond	**668**
AUD 265,740,000 perpetual subordinated loan	**268**
Total tier 2 capital	**936**
Total capital	**9,011**

Terms of ordinary share capital

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on the winding up of the Bank. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

Terms of additional tier 1 capital (preference shares)

All preference shares were issued on 25 September 2013 by the Bank to the Immediate Parent and do not carry any voting rights. The preference shares are wholly classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis. The key terms of the preference shares are as follows:

Dividends

Dividends are payable at the discretion of the Directors of the Bank and are non-cumulative. The Bank must not resolve to pay any dividend or make any other distribution on its ordinary shares until the next preference dividend payment date if the Directors elect to not pay a dividend on the preference shares.

Notes to the Financial Statements

Should the Bank elect to pay a dividend, the dividend is payable at 72% of BKBM + 3.25% p.a., with dividend payments due on 1 March and 1 September each year.

Redemption features

The preference shares are redeemable, subject to prior written approval of the RBNZ, by the Bank providing notice in writing to holders of the preference shares:

- on any date on or after a change to laws or regulations that adversely affects the regulatory capital or tax treatment of the preference shares; or
- on any dividend payment date on or after 1 March 2019; or
- on any date after 1 March 2019 if the Bank has ceased to be a wholly owned subsidiary of the Ultimate Parent Bank.

The preference shares may be redeemed for nil consideration should a non-viability trigger event occur.

Rights of holders in event of liquidation

In the event of liquidation, holders of preference shares are entitled to available subscribed capital per share, pari passu with all holders of existing preference shares but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

Terms of tier 2 capital instruments

Tier 2 capital instruments are subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank.

These instruments qualify as tier 2 capital under the RBNZ's transitional rules. Fixing the base at the nominal amount of such instruments outstanding at 31 December 2012, their recognition is capped at 80% of that base from 1 January 2014; 60% from 1 January 2015; 40% from 1 January 2016; 20% from 1 January 2017; and from 1 January 2018 onwards these instruments will not be included in regulatory capital.

NZD 835,000,000 bond

This bond was issued by the Bank on 18 April 2008. The Bank may elect to redeem the bond on 18 April 2018 (the Call Date) or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, up to and including the Call Date and then quarterly thereafter. Should the bond not be called at the Call Date, the Coupon Rate from the Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 31 March 2014, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond is 5.28% for the five year period to 18 April 2018.

This bond is listed on the New Zealand Exchange (NZX). The Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.4 (relating to the provision of preliminary announcements of half yearly and annual results to the NZX) and 10.5 (relating to preparing and providing a copy of half yearly and annual reports to the NZX).

AUD 265,740,000 loan

This loan was drawn down by the Bank on 27 September 1996 and has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

Capital requirements of the Banking Group

$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
Unaudited 31/03/2014			
Exposures subject to internal ratings based approach	**128,787**	**52,791**	**4,223**
Specialised lending exposures subject to slotting approach	**8,155**	**7,736**	**619**
Exposures subject to standardised approach	**1,912**	**344**	**28**
Equity exposures	**91**	**387**	**31**
Other exposures	**3,146**	**1,743**	**139**
Total credit risk	**142,091**	**63,001**	**5,040**
Operational risk	**n/a**	**5,378**	**430**
Market risk	**n/a**	**4,340**	**347**
Total	**142,091**	**72,719**	**5,817**

[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

Implementation of the advanced internal ratings based approach to credit risk measurement

The Banking Group adheres to the standards of risk grading and risk quantification as set out for Internal Ratings Based (IRB) banks in the RBNZ document *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B).

Under this IRB Framework banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

Probability of Default (PD): An estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring;

Exposure at Default (EAD): The expected facility exposure at default. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration; and

Loss Given Default (LGD): An estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For Retail Mortgage exposures the Bank is required to apply the downturn LGDs according to loan to value (LVR) bands as set out in BS2B. For farm lending exposures the Banking Group is required to adopt RBNZ prescribed downturn LVR based LGDs, along with a minimum maturity of 2.5 years and the removal of the firm-size adjustment.

For exposures classified under Specialised Lending, the Banking Group uses slotting tables supplied by the RBNZ rather than internal estimates.

The exceptions to IRB treatment are three minor portfolios where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document *Capital Adequacy Framework (Standardised Approach)* (BS2A).

Capital requirements by asset class under the IRB approach

Unaudited 31/03/2014	Total exposure or principal amount $m	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures						
Corporate	32,470	32,681	35	56	19,389	1,551
Sovereign	10,536	10,062	5	1	108	9
Bank	4,328	3,306	59	28	989	78
Retail mortgages	49,369	49,608	21	28	14,510	1,161
Other retail	4,624	4,729	76	97	4,869	390
Total on-balance sheet exposures	101,327	100,386	28	37	39,865	3,189
Off-balance sheet exposures						
Corporate	13,352	10,726	52	48	5,458	437
Sovereign	83	51	5	1	-	-
Bank	1,379	1,247	50	20	258	21
Retail mortgages	6,043	6,349	18	17	1,128	90
Other retail	5,242	4,971	79	56	2,934	234
Total off-balance sheet exposures	26,099	23,344	48	40	9,778	782
Market related contracts						
Corporate	79,191	1,839	61	94	1,834	147
Sovereign	9,585	320	5	27	93	7
Bank	714,440	2,898	64	40	1,221	98
Total market related contracts	803,216	5,057	59	59	3,148	252
Total credit risk exposures subject to the IRB approach	930,642	128,787	33	39	52,791	4,223

Notes to the Financial Statements

IRB exposures by customer credit rating

Unaudited 31/03/2014	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporate						
0 - 2	0.05	4,631	63	30	1,616	129
3 - 4	0.31	24,688	37	41	10,682	855
5	1.00	9,779	37	65	6,746	540
6	2.19	4,005	38	81	3,444	276
7 - 8	7.51	1,419	43	148	2,231	178
Default	100.00	724	45	256	1,962	157
Total corporate exposures	2.42	45,246	40	56	26,681	2,135
Sovereign						
0	0.01	9,277	5	2	180	14
1 - 8	0.02	1,156	5	2	21	2
Total sovereign exposures	0.01	10,433	5	2	201	16
Bank						
0	0.03	42	65	11	5	-
1	0.03	5,565	58	27	1,565	125
2 - 4	0.10	1,785	62	41	777	62
5 - 8	4.53	59	65	195	121	10
Total bank exposures	0.08	7,451	59	31	2,468	197
Retail mortgages						
0 - 3	0.20	12,085	12	5	618	49
4	0.46	18,865	19	15	3,021	242
5	0.93	18,767	26	36	7,064	565
6	2.07	5,201	30	72	3,967	317
7 - 8	5.36	576	31	120	734	59
Default	100.00	463	26	48	234	19
Total retail mortgages exposures	1.59	55,957	21	26	15,638	1,251
Other retail						
0 - 2	0.10	655	78	48	335	27
3 - 4	0.30	4,671	78	56	2,760	221
5	1.14	1,516	72	76	1,229	98
6	2.72	1,739	78	101	1,864	149
7 - 8	11.31	1,008	85	136	1,450	116
Default	100.00	111	80	141	165	13
Total other retail exposures	3.14	9,700	78	76	7,803	624
Total credit risk exposures subject to the IRB approach	1.78	128,787	33	39	52,791	4,223

Credit risk exposures subject to the IRB approach have been derived in accordance with BS2B and other relevant correspondence with RBNZ setting out prescribed credit risk estimates.

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Unaudited 31/03/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	2,240	70	1,662	133
Good	3,794	90	3,619	290
Satisfactory	950	115	1,158	93
Weak	179	250	474	37
Default	126	-	-	-
Total on-balance sheet exposures	7,289	89	6,913	553

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	1,111	831	87	769	62
Market related contracts	1,397	35	145	54	4
Total off-balance sheet exposures	2,508	866	89	823	66

Specialised lending exposures subject to the slotting approach have been calculated in accordance with BS2B.

The supervisory categories of specialised lending above are associated with specific risk-weights. These categories broadly correspond to the following external credit assessments using Standard & Poor's rating scale, Strong: BBB- or better, Good: BB+ or BB, Satisfactory: BB- or B+ and Weak: B to C-.

Credit risk exposures subject to the standardised approach

Unaudited 31/03/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	48	100	51	4
Default	1	150	1	-
Total on-balance sheet exposures	49	101	52	4

	Exposure amount $m	Average credit conversion factor %	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	471	50	234	99	246	20
Market related contracts	161,207	1	1,629	3	46	4
Total off balance sheet	161,678	n/a	1,863	15	292	24

Credit exposures subject to the Standardised Approach have been calculated in accordance with BS2A.

Equity exposures

Unaudited 31/03/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All equity holdings not deducted from capital	91	400	387	31

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

Unaudited 31/03/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash	206	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,295	-	-	-
Other assets	1,645	100	1,743	139
Total other IRB credit risk exposures	3,146	52	1,743	139

Other exposures have been calculated in accordance with BS2B.

Credit risk mitigation

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. The Banking Group generally takes collateral security in the form of real property or a security interest in personal property, except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance, in the form of housing loans, is generally secured against real estate while short term revolving consumer credit is generally unsecured.

As at 31 March 2014, under the IRB approach, the Banking Group had $1,719 million of Corporate exposures covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Operational risk

The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with BS2B. As at 31 March 2014 the Banking Group had an implied risk weighted exposure of $5,378 million for operational risk and an operational risk capital requirement of $430 million.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BS2B. The peak end-of-day market risk exposures are for the half-year ended 31 March 2014.

	Implied risk weighted exposure		Aggregate capital charge		Peak
$ millions	Period end	Peak	Period end	Peak	occurred on
Unaudited 31/03/2014					
Interest rate risk	4,204	5,418	336	433	30/12/2013
Foreign currency risk	134	167	11	13	20/03/2014
Equity risk	2	2	-	-	1/10/2013
	4,340		347		

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 $356 million (31/03/2013 $374 million; 30/09/2013 $343 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating pension risk and business retention risk) were applied in November 2013 and prior periods restated accordingly.

Notes to the Financial Statements

Capital adequacy of the Ultimate Parent Bank

Basel III capital ratios

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)		
	31/03/2014	31/03/2013	30/09/2013	31/03/2014	31/03/2013	30/09/2013
Unaudited						
Common equity tier 1 capital	**8.3%**	8.2%	8.5%	**8.3%**	8.4%	8.5%
Tier 1 capital	**10.3%**	9.8%	10.4%	**10.6%**	10.3%	10.6%
Total capital	**12.1%**	11.7%	12.2%	**12.5%**	12.2%	12.5%

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

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 31 March 2014 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2014. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2014, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

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. For this financial period, the Banking Group has altered the banding of exposures in the LVR table below to align presentation with the new RBNZ LVR commitment reporting. Updated corresponding amounts as at 30 September 2013 have been provided for comparative purposes.

Unaudited $ millions	31/03/2014 On-balance sheet	31/03/2014 Off-balance sheet	31/03/2014 Total	30/09/2013 On-balance sheet	30/09/2013 Off-balance sheet	30/09/2013 Total
LVR range						
Does not exceed 60%	**17,693**	**3,245**	**20,938**	16,761	3,074	19,835
Exceeds 60% and not 70%	**8,833**	**901**	**9,734**	7,994	783	8,777
Exceeds 70% and not 80%	**14,205**	**1,434**	**15,639**	12,479	1,174	13,653
Does not exceed 80%	**40,731**	**5,580**	**46,311**	37,234	5,031	42,265
Exceeds 80% and not 90%	**5,268**	**181**	**5,449**	6,225	276	6,501
Exceeds 90%	**3,370**	**282**	**3,652**	3,923	341	4,264
Total	**49,369**	**6,043**	**55,412**	47,382	5,648	53,030

Reconciliation of mortgage related amounts

Unaudited $ millions	Note	31/03/2014	30/09/2013
Term loans - housing	4	**51,396**	49,521
Add: fair value hedging adjustment		**52**	42
Add: short-term housing loans classified as overdrafts		**486**	499
Less: housing loans made to corporate customers		**(2,606)**	(2,716)
Add: Unsettled re-purchases of mortgages from the NZ Branch		**41**	36
On-balance sheet retail mortgage exposures subject to the IRB approach	10	**49,369**	47,382
Add: off-balance sheet retail mortgage exposures subject to the IRB approach		**6,043**	5,648
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)	10	**55,412**	53,030

Notes to the Financial Statements

11. Financial risk management

Concentrations of credit risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

Unaudited 31/03/2014 $ millions	Cash, settlements receivable and collateral paid	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances[3]	Other financial assets	Credit related commitments[4]	Total
Industry							
Agriculture	-	-	22	17,072	72	2,124	19,290
Forestry, fishing and mining	-	-	13	983	4	1,133	2,133
Business and property services	-	-	18	9,167	38	2,617	11,840
Construction	-	-	-	1,122	5	849	1,976
Entertainment, leisure and tourism	-	-	22	1,047	4	351	1,424
Finance and insurance	2,494	5,015	7,698	922	285	1,292	17,706
Government and local authority[1]	1,295	7,595	244	1,184	5	1,320	11,643
Manufacturing	-	35	70	3,038	13	2,273	5,429
Personal lending	-	-	-	53,551	224	12,310	66,085
Retail trade	-	-	38	1,926	8	948	2,920
Transport and storage	-	7	48	1,472	6	875	2,408
Wholesale trade	-	-	11	1,227	5	1,275	2,518
Other[2]	-	105	560	1,577	7	1,855	4,104
	3,789	12,757	8,744	94,288	676	29,222	149,476
Less: Provision for credit impairment	-	-	-	(630)	-	(92)	(722)
Less: Unearned income	-	-	-	(351)	-	-	(351)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	176	-	-	176
Total financial assets	3,789	12,757	8,744	93,483	676	29,130	148,579
Geography							
New Zealand	2,756	9,240	2,036	91,245	667	28,967	134,911
Overseas	1,033	3,517	6,708	2,238	9	163	13,668
Total financial assets	3,789	12,757	8,744	93,483	676	29,130	148,579

[1] Government and local authority includes exposures to government administration and defence, education and health and community services.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Excludes individual and collective provisions for credit impairment held in respect of credit related commitments.
[4] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Notes to the Financial Statements

Interest rate sensitivity gap

The following tables represent the interest rate sensitivity of the Banking Group's assets, liabilities and off balance sheet instruments by showing the periods in which these instruments may reprice, that is, when interest rates applicable to each asset or liability can be changed.

Unaudited 31/03/2014 $ millions	Total	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Not bearing interest
Assets							
Cash	1,717	1,511	-	-	-	-	206
Settlement balances receivable	705	86	-	-	-	-	619
Collateral paid	1,367	1,367	-	-	-	-	-
Trading securities	12,090	1,007	556	512	3,271	6,744	-
Derivative financial instruments	8,744	-	-	-	-	-	8,744
Available-for-sale assets	667	129	-	30	258	248	2
Net loans and advances	93,391	57,746	6,109	10,653	11,771	7,594	(482)
Other financial assets	676	134	14	14	3	-	511
Total financial assets	119,357	61,980	6,679	11,209	15,303	14,586	9,600
Liabilities							
Settlement balances payable	1,533	305	-	-	-	-	1,228
Collateral received	452	452	-	-	-	-	-
Deposits and other borrowings	81,457	54,562	10,619	7,583	1,667	1,192	5,834
Derivative financial instruments	9,645	-	-	-	-	-	9,645
Bonds and notes	16,405	4,964	15	1,019	4,394	6,013	-
Subordinated debt	1,129	-	294	-	-	835	-
Payables and other liabilities	780	99	-	-	5	170	506
Total financial liabilities	111,401	60,382	10,928	8,602	6,066	8,210	17,213
Hedging instruments	-	6,199	12,274	(12,123)	(5,659)	(691)	-
Interest sensitivity gap	7,956	7,797	8,025	(9,516)	3,578	5,685	(7,613)

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 31/03/2014 $ millions	Cash	Trading Securities	Available-for- sale securities	Total
Balances with central banks	1,295	-	-	1,295
Securities purchased under agreement to resell	14	-	-	14
Certificates of deposit	-	-	100	100
Government, local body stock and bonds	-	6,948	526	7,474
Government treasury bills	-	-	1	1
Other bonds	-	4,891	-	4,891
Total liquidity portfolio	1,309	11,839	627	13,775

Notes to the Financial Statements

Funding Composition

The Banking Group actively uses balance sheet disciplines to prudently manage the funding mix. The Banking Group employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

Analysis of funding liabilities by industry sector is based on ANZSIC codes.

$ millions	Unaudited 31/03/2014
Funding composition	
Customer deposits[1]	
New Zealand	65,442
Overseas	8,627
Total customer deposits	74,069
Wholesale funding	
Bonds and notes	16,405
Subordinated debt	1,129
Certificates of deposit	1,604
Commercial paper	5,401
Settlement balances payable	1,533
Collateral received	452
Other borrowings	383
Total wholesale funding	26,907
Total funding	100,976
Concentrations of funding by industry	
Households	45,160
Agriculture	2,729
Forestry, fishing and mining	644
Manufacturing	1,550
Entertainment, leisure and tourism	909
Finance and insurance	36,435
Retail trade	906
Wholesale trade	1,048
Business and property services	5,660
Transport and storage	668
Construction	933
Government and local authority	2,547
Other[2]	1,787
Total funding	100,976
Concentrations of funding by geography[3]	
New Zealand	71,847
Australia	1,396
United States	9,216
Europe	12,357
Other countries	6,160
Total funding	100,976

[1] Comprises term deposits, other deposits bearing interest and other borrowings, deposits not bearing interest and UDC secured investments
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Funding via ANZ New Zealand (Int'l) Limited is classified as either from the United States or Europe, as the company conducts overseas funding activities through its London branch which is passed through to the Bank.

Notes to the Financial Statements

Contractual maturity analysis of financial assets and liabilities

The following tables present the Banking Group's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which the Banking Group may be required to realise an asset or settle a liability. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows and may differ to the amounts reported on the balance sheet.

The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which the Banking Group can be called upon to pay. The liquidity risk of credit related commitments and contingent liabilities may be less than the contract amount, and does not necessarily represent future cash requirements as many of these facilities are expected to be only partially used or to expire unused.

The Banking Group does not manage its liquidity risk on this basis.

Unaudited 31/03/2014 $ millions	Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	1,717	1,501	216	-	-	-	-
Settlement balances receivable	705	84	621	-	-	-	-
Collateral paid	1,367	-	1,367	-	-	-	-
Trading securities	13,614	-	378	1,680	10,100	1,456	-
Derivative financial assets (trading)	7,789	-	7,789	-	-	-	-
Available-for-sale assets	729	-	117	18	592	-	2
Net loans and advances	129,251	-	16,348	17,019	40,628	55,256	-
Other financial assets	281	-	250	28	3	-	-
Total financial assets	155,453	1,585	27,086	18,745	51,323	56,712	2
Financial liabilities							
Settlement balances payable	1,533	584	949	-	-	-	-
Collateral received	452	-	452	-	-	-	-
Deposits and other borrowings	82,806	27,196	33,338	19,078	3,191	3	-
Derivative financial liabilities (trading)	9,142	-	9,142	-	-	-	-
Bonds and notes	17,325	-	1,482	1,898	13,334	611	-
Subordinated debt	1,406	-	14	41	178	44	1,129
Other financial liabilities	447	-	139	10	139	159	-
Total financial liabilities	113,111	27,780	45,516	21,027	16,842	817	1,129
Derivative financial instruments used for balance sheet management							
- gross inflows	15,581	-	1,555	4,504	8,776	746	-
- gross outflows	(14,971)	-	(1,524)	(4,223)	(8,487)	(737)	-
Net financial assets / (liabilities) after balance sheet management	42,952	(26,195)	(18,399)	(2,001)	34,770	55,904	(1,127)

Contractual maturity of off-balance sheet commitments and contingent liabilities

Unaudited 31/03/2014 $ millions	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	472	122	350
Credit related commitments	26,889	26,889	-
Contingent liabilities	2,333	2,333	-
Total	29,694	29,344	350

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:

Unaudited	31/03/2014	
$ millions	Carrying amount	Fair value
Assets		
Net loans and advances[1]	93,391	93,383
Liabilities		
Deposits and other borrowings[2]	81,457	81,468
Bonds and notes[1]	16,405	16,583
Subordinated debt	1,129	1,098

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

[2] Includes commercial paper designated at fair value through profit or loss of $5,401 million.

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 - Quoted market price

Where an active market exists fair value is based on quoted market prices for identical financial instruments. The quoted market price is not adjusted for any potential impact that may be attributed to a large holding of the financial instrument.

Level 2 - Valuation technique using observable inputs

In the event that there is no quoted market price for the instruments, fair values are based on present value estimates or other market accepted valuation techniques which include data, including interest and exchange rates, from observable markets wherever possible.

Level 3 - Valuation technique with significant non observable inputs

The Banking Group holds units in an unlisted fund which does not trade in an active market. The fair value of these units is based on the estimated cashflows from the realisation of the underlying assets.

The Banking Group recognises transfers between Level 1, Level 2 and Level 3 as of the beginning of the reporting period during which the transfer has occurred. There have been no transfers between levels during the period.

Valuation hierarchy

Unaudited 31/03/2014 $ millions	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	12,062	28	-	12,090
Derivative financial instruments	7	8,737	-	8,744
Available-for-sale assets	665	-	2	667
Investments backing insurance policy liabilities	114	51	-	165
Total financial assets held at fair value	12,848	8,816	2	21,666
Financial liabilities				
Deposits and other borrowings	-	5,401	-	5,401
Derivative financial instruments	4	9,641	-	9,645
Payables and other liabilities	222	-	-	222
Total financial liabilities held at fair value	226	15,042	-	15,268

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 six months ended 31 March 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 subsidiaries OnePath Life (NZ) Limited and OnePath Insurance Services (NZ) Limited. The aggregate amount of insurance business in this group comprises assets totalling $787 million (31/03/2013 $793 million; 30/09/2013 $779 million), which is 0.6% (31/03/2013 0.6%; 30/09/2013 0.6%) of the total consolidated assets of the Banking Group.

15. Credit Related Commitments, Guarantees and Contingent Liabilities

	Face or contract value		
	Unaudited	Unaudited	Audited
$ millions	31/03/2014	31/03/2013	30/09/2013
Credit related commitments			
Commitments with certain drawdown due within one year	**1,073**	859	817
Commitments to provide financial services	**25,816**	25,006	24,446
Total credit related commitments	**26,889**	25,865	25,263
Guarantees and contingent liabilities			
Financial guarantees	**985**	650	997
Standby letters of credit	**60**	53	32
Transaction related contingent items	**1,222**	976	1,059
Trade related contingent liabilities	**66**	78	113
Total guarantees and contingent liabilities	**2,333**	1,757	2,201

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

In December 2013, the Commerce Commission announced that it intended to file proceedings against the Bank (and two other banks) under the Fair Trading Act 1986 in relation to the sale of interest rate swaps to rural customers. On 2 April 2014, the Commission stated that it anticipates making a further announcement in mid-2014 after it has progressed discussions with each bank. The potential outcome of any proceedings which may be issued cannot be determined with any certainty at this stage.

In June 2013, litigation funder Litigation Lending Services (NZ) Limited filed a representative action against the Bank regarding certain fees charged to New Zealand customers. The potential outcome of this litigation cannot be determined with any certainty at this stage.

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

Notes to the Financial Statements

16. Changes to comparatives

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.

During the period, the classification of the balance sheet has been changed to reflect the nature of the financial assets and liabilities reported. Prior to the reclassification, the balance sheet was classified according to counterparty. This has resulted in the following changes to previously reported balance sheet classifications. Minor changes in the overall total assets and total liabilities have also occurred due to the adoption of IAS19 *Employee Benefits* and to gross up net insurance assets for the present value of reinsurance premiums payable.

Associated amounts in the income statement, statement of comprehensive income and cash flow statement have been restated accordingly, and the impact of the changes to these statements is not material.

Unaudited $ millions	31/03/2013 Previously reported	Change	Currently reported	30/09/2013 Previously reported	Change	Currently reported
Assets						
Liquid assets	3,371	(3,371)	-	2,496	(2,496)	-
Due from other financial institutions	2,045	(2,045)	-	1,570	(1,570)	-
Cash	-	3,459	3,459	-	2,206	2,206
Settlement balances receivable	-	700	700	-	514	514
Collateral paid	-	1,142	1,142	-	1,002	1,002
Available-for-sale assets	873	159	1,032	782	160	942
Net loans and advances	87,882	299	88,181	90,489	348	90,837
Insurance policy assets	313	109	422	399	-	399
Other assets	936	(343)	593	731	(164)	567
Deferred tax assets	73	8	81	39	6	45
All other assets	23,584	-	23,584	23,932	-	23,932
Total assets	119,077	117	119,194	120,438	6	120,444
Liabilities						
Due to other financial institutions	1,795	(1,795)	-	1,517	(1,517)	-
Settlement balances payable	-	1,754	1,754	-	1,428	1,428
Collateral received	-	267	267	-	438	438
Deposits and other borrowings	75,224	1,200	76,424	77,697	1,119	78,816
Due to immediate parent company	709	(709)	-	939	(939)	-
Payables and other liabilities	2,012	(580)	1,432	1,705	(510)	1,195
All other liabilities	28,234	-	28,234	27,113	-	27,113
Total liabilities	107,974	137	108,111	108,971	19	108,990
Equity	11,103	(20)	11,083	11,467	(13)	11,454

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 six months ended 31 March 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 May 2014.

Antony Carter

Shayne Elliott

David Hisco

John Judge

Michael Smith

Mark Verbiest

Joan Withers

KPMG

Independent Auditor's Review Report

To the Shareholder of ANZ Bank New Zealand Limited

We have reviewed pages 3 to 25 of the interim financial statements of ANZ Bank New Zealand Limited (the Bank) and its subsidiary companies (the Banking Group) prepared and disclosed in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the Order) and the supplementary information prescribed in Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of the Banking Group and its financial position as at 31 March 2014.

Directors' responsibility for the disclosure statement

The Directors of ANZ Bank New Zealand Limited are responsible for the preparation and presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 25 of the Order which give a true and fair view of the financial position of the Banking Group as at 31 March 2014 and its financial performance and cash flows for the six months ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the Disclosure Statement which fairly states the matters to which it relates in accordance with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Reviewer's responsibility

We are responsible for reviewing the interim financial statements and the supplementary information, disclosed in accordance with Clause 25, Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order and presented to us by the Directors.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34): *Interim Financial Reporting* and do not present a true and fair view of the financial position of the Banking Group as at 31 March 2014 and its financial performance and cash flows for the six months ended on that date.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the information disclosed in accordance with Schedule 11 is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand and disclosed in accordance with Schedule 11 of the Order.

We have performed our review in accordance with the review engagement standard RS-1: *Statement of Review Engagement Standards* issued by the External Reporting Board. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

KPMG has also provided other audit related services to the Banking Group. In addition, certain partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. We have no other relationship with, or interest in, the Banking Group.

Review opinion

We have examined the interim financial statements including the supplementary information and based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

a. the interim financial statements (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34: *Interim Financial Reporting* and do not present a true and fair view of the financial position of the Banking Group as at 31 March 2014 and its financial performance and cash flows for the six months ended on that date;

b. the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and

c. the supplementary information relating to capital adequacy as required by Schedule 11 of the Order, is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 11 of the Order.

Our review was completed on 13 May 2014 and our review opinion is expressed as at that date.

KPMG

Wellington