

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2014 | NUMBER 25 ISSUED FEBRUARY 2015

Registered Bank Disclosure Statement

For the three months ended 31 December 2014

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Glossary of Terms

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

- (a) Bank means ANZ Bank New Zealand Limited;
- (b) Banking Group means the Bank and all its controlled entities;
- (c) Immediate Parent Company means ANZ Funds Pty Limited, which is the immediate parent company of ANZ Holdings (New Zealand) Limited;
- (d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;
- (e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
- (f) New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
- (g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;
- (h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;
- (i) Registered Office is Level 8, 1 Victoria Street, Wellington, New Zealand, which is also ANZ New Zealand's address for service;
- (j) RBNZ means the Reserve Bank of New Zealand;
- (k) APRA means the Australian Prudential Regulation Authority;
- (l) the Order means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014; and
- (m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

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

Credit Rating Information

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

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Stable
Moody's Investors Service	Aa2	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Guarantors

No obligations of the NZ Branch are guaranteed as at 16 February 2015.

ANZ NZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZ NZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZ NZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 December 2014 of \$3,743 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 35, Vero Centre, 48 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

Financial Statements of the Ultimate Parent Bank and Overseas Banking Group

Copies of the most recent publicly available financial statements of the Ultimate Parent Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where the request is made at the Registered Office. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the internet address anz.com.

Directorate

As at 16 February 2015 there have been no changes to the Directors of the Ultimate Parent Bank since 30 September 2014, the balance date of the last full year disclosure statement.

Auditor

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

Income Statement

\$ millions	Note	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Interest income		1,868	1,630	6,799
Interest expense		1,151	942	4,034
Net interest income		717	688	2,765
Net trading gains		64	64	210
Net funds management and insurance income		101	68	325
Other operating income	2	101	75	525
Share of associates' profit		1	1	3
Operating income		984	896	3,828
Operating expenses		384	372	1,490
Profit before credit impairment and income tax		600	524	2,338
Credit impairment charge / (release)	5	13	(19)	(9)
Profit before income tax		587	543	2,347
Income tax expense		162	150	636
Profit after income tax		425	393	1,711

Statement of Comprehensive Income

\$ millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Profit after income tax	425	393	1,711
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit schemes	-	-	35
Income tax expense relating to items that will not be reclassified	-	-	(10)
Total items that will not be reclassified to profit or loss	-	-	25
Items that may be reclassified subsequently to profit or loss			
Unrealised gains / (losses) recognised directly in equity	14	(19)	(2)
Realised gains transferred to income statement	(12)	(11)	(41)
Income tax credit / (expense) relating to items that may be reclassified	(1)	8	12
Total items that may be reclassified subsequently to profit or loss	1	(22)	(31)
Total comprehensive income	426	371	1,705

Statement of Changes in Equity

\$ millions	Share capital and head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2013 (Audited)	6,424	(2)	26	3,294	9,742
Profit after income tax	-	-	-	393	393
Unrealised gains / (losses) recognised directly in equity	-	3	(22)	-	(19)
Realised gains transferred to the income statement	-	-	(11)	-	(11)
Income tax credit / (expense) on items recognised directly in equity	-	(1)	9	-	8
Total comprehensive income	-	2	(24)	393	371
As at 31 December 2013 (Unaudited)	6,424	-	2	3,687	10,113
As at 1 October 2013 (Audited)	6,424	(2)	26	3,294	9,742
Profit after income tax	-	-	-	1,711	1,711
Unrealised gains / (losses) recognised directly in equity	-	3	(5)	-	(2)
Realised gains transferred to the income statement	-	-	(41)	-	(41)
Actuarial gain on defined benefit schemes	-	-	-	35	35
Income tax credit / (expense) on items recognised directly in equity	-	(1)	13	(10)	2
Total comprehensive income	-	2	(33)	1,736	1,705
Preference shares issued	969	-	-	-	969
Ordinary dividend paid	-	-	-	(2,335)	(2,335)
As at 30 September 2014 (Audited)	7,393	-	(7)	2,695	10,081
Profit after income tax	-	-	-	425	425
Unrealised gains recognised directly in equity	-	-	14	-	14
Realised gains transferred to the income statement	-	-	(12)	-	(12)
Income tax expense on items recognised directly in equity	-	-	(1)	-	(1)
Total comprehensive income	-	-	1	425	426
As at 31 December 2014 (Unaudited)	7,393	-	(6)	3,120	10,507

Balance Sheet

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013 ¹	Audited 30/09/2014
Assets				
Cash		3,622	3,337	2,248
Settlement balances receivable		193	613	855
Collateral paid		1,269	623	783
Trading securities		12,023	11,498	11,750
Investments backing life insurance contract liabilities		199	180	190
Derivative financial instruments		8,511	7,670	11,421
Available-for-sale assets		708	1,115	772
Net loans and advances	4	107,117	101,636	105,485
Other assets		668	545	632
Life insurance contract assets		513	408	470
Investments in associates		89	89	88
Deferred tax assets		-	20	-
Premises and equipment		378	377	380
Goodwill and other intangible assets		3,458	3,446	3,454
Total assets		138,748	131,557	138,528
Interest earning and discount bearing assets		125,132	118,673	121,539
Liabilities				
Settlement balances payable		908	1,017	1,992
Collateral received		207	805	800
Deposits and other borrowings	8	97,624	92,325	94,527
Derivative financial instruments		10,467	9,017	10,961
Current tax liabilities		50	28	68
Deferred tax liabilities		87	-	59
Payables and other liabilities		1,342	1,231	1,352
Provisions		183	218	204
Debt issuances		15,972	15,381	17,042
Subordinated debt		1,401	1,422	1,442
Total liabilities (excluding head office account)		128,241	121,444	128,447
Net assets (excluding head office account)		10,507	10,113	10,081
Equity				
Share capital and head office account		7,393	6,424	7,393
Reserves		(6)	2	(7)
Retained earnings		3,120	3,687	2,695
Total equity and head office account		10,507	10,113	10,081
Interest and discount bearing liabilities		109,551	104,518	108,614

¹ Comparative amounts have changed. Refer to notes 1 and 17 for details.

Condensed Cash Flow Statement

\$ millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013 ¹	Audited Year to 30/09/2014
Cash flows from operating activities			
Interest received	1,824	1,601	6,724
Interest paid	(1,157)	(959)	(3,945)
Other cash inflows provided by operating activities	228	225	947
Other cash outflows used in operating activities	(479)	(519)	(1,895)
Cash flows from operating profits before changes in operating assets and liabilities	416	348	1,831
Net changes in operating assets and liabilities	1,591	2,141	(294)
Net cash flows provided by operating activities	2,007	2,489	1,537
Cash flows from investing activities			
Cash inflows provided by investing activities	-	10	18
Cash outflows used in investing activities	(24)	(21)	(120)
Net cash flows used in investing activities	(24)	(11)	(102)
Cash flows from financing activities			
Cash inflows provided by financing activities	325	1,179	5,400
Cash outflows used in financing activities	(908)	(2,582)	(6,924)
Net cash flows used in financing activities	(583)	(1,403)	(1,524)
Net increase / (decrease) in cash and cash equivalents	1,400	1,075	(89)
Cash and cash equivalents at beginning of the period	2,256	2,345	2,345
Cash and cash equivalents at end of the period	3,656	3,420	2,256

¹ Comparative amounts have changed. Refer to notes 1 and 17 for details.

Notes to the Financial Statements

1. Significant Accounting Policies

(i) Reporting entity and statement of compliance

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

(ii) Basis of measurement

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

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

(iii) Changes in accounting policies

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

(iv) Presentation currency and rounding

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

(v) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation. Further information on changes to comparative information is included in note 17.

(vi) Principles of consolidation

The consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank (those entities where it is determined that the Ultimate Parent Bank has capacity to control).

2. Other Operating Income

\$millions	Unaudited 3 months to 31/12/2014	Unaudited 3 months to 31/12/2013	Audited Year to 30/09/2014
Net fee income	97	98	382
Fair value gain / (loss) on hedging activities	(8)	(28)	15
Insurance settlement relating to ING Diversified Yield Fund and ING Regular Income Fund	-	-	91
Other income	12	5	37
Total other operating income	101	75	525

Notes to the Financial Statements

3. Segmental Analysis

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

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

Retail

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

Commercial

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

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

Wealth

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

Institutional

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

Other

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

Business segment analysis¹

\$ millions	Retail	Commercial	Wealth ²	Institutional	Other ³	Total
Unaudited 3 months to 31/12/2014						
External revenues	344	809	34	217	(420)	984
Intersegment revenues	(14)	(418)	42	(62)	452	-
Total revenues	330	391	76	155	32	984
Profit after income tax	125	192	31	68	9	425
Unaudited 3 months to 31/12/2013						
External revenues	363	710	30	212	(419)	896
Intersegment revenues	(37)	(342)	38	(36)	377	-
Total revenues	326	368	68	176	(42)	896
Profit / (loss) after income tax	127	183	26	98	(41)	393
Audited year to 30/09/2014						
External revenues	1,410	2,941	211	791	(1,525)	3,828
Intersegment revenues	(134)	(1,473)	165	(163)	1,605	-
Total revenues	1,276	1,468	376	628	80	3,828
Profit after income tax	451	725	181	322	32	1,711

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

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

³ This segment has negative external revenue as this segment incurs funding costs on behalf of ANZ New Zealand and is reimbursed internally.

Notes to the Financial Statements

4. Net Loans and Advances

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Overdrafts		1,489	1,496	1,744
Credit card outstandings		1,664	1,541	1,580
Term loans - housing		62,749	59,745	61,918
Term loans - non-housing		40,589	38,434	39,622
Lease receivables		261	335	277
Hire purchase		857	746	837
Other		125	125	125
Total gross loans and advances		107,734	102,422	106,103
Less: Provision for credit impairment	5	(682)	(798)	(688)
Less: Unearned income		(219)	(216)	(212)
Add: Capitalised brokerage/mortgage origination fees		238	175	215
Add: Customer liability for acceptances		46	53	67
Total net loans and advances		107,117	101,636	105,485

5. Provision for Credit Impairment

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 31/12/2014				
Collective provision	89	114	261	464
Individual provision	78	14	126	218
Total provision for credit impairment	167	128	387	682
Collective credit impairment charge / (release)	(2)	(4)	6	-
Individual credit impairment charge / (release)	(1)	15	(1)	13
Credit impairment charge / (release)	(3)	11	5	13
Unaudited 31/12/2013				
Collective provision	113	110	306	529
Individual provision	75	22	172	269
Total provision for credit impairment	188	132	478	798
Collective credit impairment release	(2)	(7)	(18)	(27)
Individual credit impairment charge / (release)	(6)	24	(10)	8
Credit impairment charge / (release)	(8)	17	(28)	(19)
Audited 30/09/2014				
Collective provision	91	118	255	464
Individual provision	81	15	128	224
Total provision for credit impairment	172	133	383	688
Collective credit impairment charge / (release)	(24)	1	(69)	(92)
Individual credit impairment charge / (release)	12	79	(8)	83
Credit impairment charge / (release)	(12)	80	(77)	(9)

Notes to the Financial Statements

6. Impaired and Past Due Assets

\$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Unaudited 31/12/2014				
Total impaired assets	168	34	354	556
Loans that are at least 90 days past due but not impaired	123	34	60	217
Unaudited 31/12/2013				
Total impaired assets	195	49	599	843
Loans that are at least 90 days past due but not impaired	108	37	65	210
Audited 30/09/2014				
Total impaired assets	223	35	410	668
Loans that are at least 90 days past due but not impaired	110	30	32	172

7. Financial Assets Pledged as Collateral

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

ANZ NZ Covered Bond Trust (the Covered Bond Trust)

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

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

8. Deposits and Other Borrowings

\$ millions	Note	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Certificates of deposit		2,154	1,594	1,376
Term deposits		34,201	34,254	34,758
Other deposits bearing interest and other borrowings		35,729	30,948	34,027
Deposits not bearing interest		6,371	6,135	6,001
Deposits from banks		757	746	226
Commercial paper		7,378	6,567	6,057
UDC secured investments	7	1,562	1,575	1,569
Borrowings from Ultimate Parent Bank and Immediate Parent Company		9,472	10,506	10,513
Total deposits and other borrowings		97,624	92,325	94,527

9. Related Party Transactions

\$ millions	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Total due from related parties	3,347	1,647	4,539
Total due to related parties	14,560	16,229	16,137

Notes to the Financial Statements

10. Capital Adequacy

Basel III capital ratios

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)	
	31/12/2014	31/12/2013	30/09/2014	30/09/2014	30/09/2013
Unaudited					
Common equity tier 1 capital	8.4%	7.9%	8.8%	9.1%	8.5%
Tier 1 capital	9.9%	9.6%	10.7%	11.3%	10.6%
Total capital	11.8%	11.2%	12.7%	13.4%	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 December 2014 and for the comparative prior periods.

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

Market risk

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

	Implied risk weighted exposure	Notional capital charge
\$ millions		
Unaudited 31/12/2014		
Interest rate risk	5,882	471
Foreign currency risk	25	2
Equity risk	2	-
	5,909	473

Residential mortgages by loan-to-valuation ratio

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

Unaudited \$ millions	31/12/2014		Total
	On-balance sheet	Off-balance sheet	
LVR range			
Does not exceed 60%	22,534	3,749	26,283
Exceeds 60% and not 70%	11,149	1,058	12,207
Exceeds 70% and not 80%	18,014	1,611	19,625
Does not exceed 80%	51,697	6,418	58,115
Exceeds 80% and not 90%	5,920	233	6,153
Exceeds 90%	3,071	253	3,324
Total	60,688	6,904	67,592

Notes to the Financial Statements

11. Liquidity Portfolio

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

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

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

12. Fair Value Measurements

Financial assets and financial liabilities not measured at fair value

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

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

\$ millions	Unaudited 31/12/2014		Unaudited 31/12/2013		Audited 30/09/2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Net loans and advances ¹	107,117	107,387	101,636	101,664	105,485	105,600
Liabilities						
Deposits and other borrowings ²	97,624	97,768	92,325	92,452	94,527	94,665
Debt issuances ¹	15,972	16,127	15,381	15,584	17,042	17,225
Subordinated debt	1,401	1,403	1,422	1,341	1,442	1,443

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Valuation hierarchy

Unaudited 31/12/2014

\$ millions	Unaudited 31/12/2014				Unaudited 31/12/2013				Audited 30/09/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Trading securities	12,018	5	-	12,023	11,386	112	-	11,498	11,659	91	-	11,750
Derivative financial instruments	4	8,507	-	8,511	12	7,658	-	7,670	2	11,419	-	11,421
Available-for-sale assets	706	-	2	708	1,113	-	2	1,115	712	58	2	772
Investments backing life insurance contract liabilities	136	63	-	199	125	55	-	180	129	61	-	190
Total financial assets held at fair value	12,864	8,575	2	21,441	12,636	7,825	2	20,463	12,502	11,629	2	24,133
Financial liabilities												
Deposits and other borrowings	-	7,378	-	7,378	-	6,567	-	6,567	-	6,057	-	6,057
Derivative financial instruments	3	10,464	-	10,467	4	9,013	-	9,017	4	10,957	-	10,961
Payables and other liabilities	177	-	-	177	201	-	-	201	226	-	-	226
Total financial liabilities held at fair value	180	17,842	-	18,022	205	15,580	-	15,785	230	17,014	-	17,244

13. Concentrations of Credit Risk to Individual Counterparties

ANZ New Zealand measures its concentration of credit risk in respect of bank counterparties on the basis of approved exposures and in respect of non-bank counterparties on the basis of limits.

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

This credit exposure information does not include exposures to counterparties if they are booked outside New Zealand.

14. Insurance business

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

ANZ New Zealand's aggregate amount of insurance business comprises the total consolidated assets of OnePath Life (NZ) Limited of \$902 million (31/12/2013: \$796 million; 30/09/2014 \$850 million), which is 0.7% (31/12/2013: 0.6%; 30/09/2014 0.6%) of the total consolidated assets of ANZ New Zealand.

Notes to the Financial Statements

15. Credit Related Commitments, Guarantees and Contingent Liabilities

\$ millions	Face or contract value		
	Unaudited 31/12/2014	Unaudited 31/12/2013	Audited 30/09/2014
Credit related commitments			
Commitments with certain drawdown due within one year	884	724	764
Commitments to provide financial services	28,998	25,064	27,166
Total credit related commitments	29,882	25,788	27,930
Guarantees and contingent liabilities			
Financial guarantees	878	982	925
Standby letters of credit	67	40	79
Transaction related contingent items	1,300	1,179	1,321
Trade related contingent liabilities	87	97	111
Total guarantees and contingent liabilities	2,332	2,298	2,436

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

Other contingent liabilities

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

ANZ New Zealand has other contingent liabilities in respect of actual and possible claims and court proceedings.

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

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

16. Additional Disclosures

NZ Branch Funding	Unaudited
\$ millions	31/12/2014
Total liabilities of the NZ Branch less amounts due to related parties	28
Overseas Banking Group Profitability and Size	Audited
AUD millions	30/09/2014
Profit for the year ended 30/09/2014 ¹	7,271
Net profit after tax for the year to 30/09/2014 as a percentage of average total assets	0.97%
Total assets	772,092
Percentage change in total assets in the year to 30/09/2014	9.83%

¹ Net profit after tax for the year includes \$12 million of profit attributable to non-controlling interests.

Overseas Banking Group asset quality	Audited
AUD millions	30/09/2014
Gross impaired assets	2,889
Gross impaired assets as a percentage of total assets	0.4%
Individual provision	1,176
Individual provision as a percentage of gross impaired assets	40.7%
Collective provision	2,757

Notes to the Financial Statements

17. Changes to Comparatives

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

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

The table below shows the impact of these changes on the balance sheet, together with the impact of the change in the definition of cash and cash equivalents. Associated amounts in the income statement, statement of comprehensive income and cash flow statement have been restated accordingly, and the impact of the changes to these statements is not material.

Unaudited \$ millions	31/12/2013		Currently reported
	Previously reported	Change	
Assets			
Liquid assets	3,249	(3,249)	-
Due from other financial institutions	1,699	(1,699)	-
Cash	-	3,337	3,337
Settlement balances receivable	-	613	613
Collateral paid	-	623	623
Available-for-sale assets	1,115	-	1,115
Net loans and advances	101,192	444	101,636
Other assets	614	(69)	545
All other assets	23,688	-	23,688
Total assets	131,557	-	131,557
Liabilities			
Due to other financial institutions	11,041	(11,041)	-
Settlement balances payable	-	1,017	1,017
Collateral received	-	805	805
Deposits and other borrowings	81,073	11,252	92,325
Due to immediate parent company	1,766	(1,766)	-
Payables and other liabilities	1,498	(267)	1,231
All other liabilities	26,066	-	26,066
Total liabilities	121,444	-	121,444
Equity	10,113	-	10,113
Cash and cash equivalents in cash flow statement	4,040	(620)	3,420

18. Subsequent Events

On 4 February 2015, the Ultimate Parent Bank announced that the NZ Branch intends to issue ANZ Capital Notes 3 to raise A\$850 million, with the ability to issue more or less. These notes are expected to be issued on 5 March 2015.

On 13 February 2015, the Bank's Board resolved to repay an A\$265,740,000 perpetual subordinated floating rate loan from the Ultimate Parent Bank on 16 March 2015.

Directors' and New Zealand Chief Executive Officer's Statement

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

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

Over the three months ended 31 December 2014, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

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

This Disclosure Statement is dated 16 February 2015, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.



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



Anthony Bradshaw
Chief Executive Officer – NZ Branch

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

