Bank of New Zealand

Disclosure Statement

For the nine months ended 30 June 2014

No. 74

Disclosure Statement

For the nine months ended 30 June 2014

This Disclosure Statement has been issued by Bank of New Zealand for the nine months ended 30 June 2014 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

(a) "Banking Group" means Bank of New Zealand's financial reporting group, which consists of Bank of New Zealand, all of its wholly owned entities and other entities consolidated for financial reporting purposes; and

(b) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

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Bank of New Zealand Corporate Information

Address for Service

The name of the Registered Bank is Bank of New Zealand (referred to either by its full name or as the "Bank" or the "Company") and its address for service is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

Nature of Business

The Bank was incorporated on 29 July 1861. The Banking Group provides a broad range of banking and financial products to retail, business, agribusiness, corporate and institutional clients.

Guarantees

Covered bond guarantee – Certain debt securities ("Covered Bonds") issued by the Bank, or its subsidiary, BNZ International Funding Limited, acting through its London Branch, are guaranteed by the CBG Trustee Company Limited, solely in its capacity as trustee of the BNZ Covered Bond Trust (the "Covered Bond Guarantor"). The Covered Bond Guarantor has guaranteed the payment of interest and principal under the Covered Bonds 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 1010, New Zealand.

The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to any senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA from Moody's Investors Service and Fitch Ratings respectively. Refer to note 7 for further information.

Further details about the above guarantee can be obtained by referring to the Bank's Disclosure Statement for the year ended 30 September 2013 which is available at www.bnz.co.nz.

Other material obligations of the Bank are not guaranteed.

Ultimate Parent Bank and Address for Service

The ultimate parent bank of Bank of New Zealand is National Australia Bank Limited whose address for service is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

Pending Proceedings or Arbitration

The Bank's Directors are of the opinion that there are no pending proceedings or arbitrations concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Registered Bank or the Banking Group.

In March 2013, a potential representative action against New Zealand banks (including, potentially, Bank of New Zealand) was announced in relation to certain fees. Litigation Lending Services (NZ) Limited is funding the action. Subsequently in 2013, representative proceedings were filed against two other New Zealand banks. In March 2014, it was announced that the threatened representative action against the Bank would be put on hold. On 20 August 2014, representative proceedings were filed against the Bank. The potential outcome of these proceedings cannot be determined with any certainty at this stage.

Other Material Matters

Global financial market conditions have become less volatile, however the Bank remains very aware of ongoing global risks (for example, concerns around European sovereign debt, the slow recovery of the U.S. economy and other geo-political issues). The Bank's Directors are of the opinion that the Bank has an adequate liquidity, funding and capital base to manage through a period of uncertainty.

The Bank's Directors are of the opinion that there are no other matters relating to the business or affairs of the Registered Bank or the Banking Group which would, if disclosed in this Disclosure Statement, materially adversely affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer.

Directorate

On 3 April 2014, National Australia Bank Limited announced that Cameron Anthony Clyne was to retire as Group Chief Executive Officer and Managing Director of National Australia Bank and as Director of the Bank, effective 16 August 2014. Mr Clyne will now retire as Group Chief Executive Officer and Managing Director of National Australia Bank and as Director of the Bank on 15 August 2014.

Andrew Gregory Thorburn has been appointed Group Chief Executive Officer and Managing Director of National Australia Bank, effective 16 August 2014. From 1 August 2014 to 15 August 2014 Mr Thorburn will be Managing Director and Group Chief Executive Officer Designate of National Australia Bank. Mr Thorburn resigned from the Bank's Board of Directors, effective 16 May 2014.

Anthony John Healy has been appointed Chief Executive Officer and Managing Director of the Bank, effective 12 May 2014.

On 4 August 2014, the Bank announced that Michaela Jane Healey was to be appointed as Non-Executive Director of the Bank, with an effective appointment date to be determined. This appointment is subject to regulatory approval.

Responsible Persons – Messrs. John Anthony Waller, Non-Executive Director, Chairman, and Anthony John Healy, Executive Director, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, on behalf of the other Directors, being:

Cameron Anthony Clyne
Prudence Mary Flacks
Dr Susan Carrel Macken
Douglas Alexander McKay
Stephen John Moir
Dr Andrew John Pearce
Gavin Robin Slater

Income Statement

For the nine months ended 30 June 2014

		Consolidated		
Dollars in Millions	Note	**Unaudited 9 Months 30/6/14**	Unaudited 9 Months 30/6/13	Audited 12 Months 30/9/13
Interest income		**2,881**	2,754	3,716
Interest expense		**1,664**	1,590	2,151
Net interest income		**1,217**	1,164	1,565
Gains less losses on financial instruments	2	**(8)**	(60)	(94)
Other operating income		**314**	322	434
Total operating income		**1,523**	1,426	1,905
Operating expenses		**637**	616	843
Total operating profit before impairment losses on credit exposures and income tax expense		**886**	810	1,062
Impairment losses on credit exposures	8	**55**	79	113
Total operating profit before income tax expense		**831**	731	949
Income tax expense on operating profit		**233**	195	254
Net profit attributable to shareholders of Bank of New Zealand		**598**	536	695

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Statement of Comprehensive Income

For the nine months ended 30 June 2014

	Consolidated		
Dollars in Millions	**Unaudited 9 Months 30/6/14**	Unaudited 9 Months 30/6/13	Audited 12 Months 30/9/13
Net profit attributable to shareholders of Bank of New Zealand	**598**	536	695
Other comprehensive income/(expense), net of taxation:			
Items that will not be reclassified to profit or loss			
Credit risk adjustments on financial liabilities designated at fair value through profit or loss[1]	**4**	-	-
Net actuarial gain on defined benefit plan	**-**	-	3
	4	-	3
Items that may be reclassified subsequently to profit or loss			
Net change in cash flow hedge reserve	**(36)**	(106)	(142)
Net change in available for sale investments revaluation reserve	**(6)**	27	19
	(42)	(79)	(123)
Total other comprehensive income/(expense), net of taxation	**(38)**	(79)	(120)
Total comprehensive income attributable to shareholders of Bank of New Zealand	**560**	457	575

[1] In accordance with NZ IFRS 9 (2013) Financial Instruments, the Banking Group has presented the credit risk adjustments on financial liabilities designated at fair value through profit or loss for the nine months ended 30 June 2014 in other comprehensive income. Comparative balances are presented in the income statement and have not been restated. Refer to note 1 for further information.

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Statement of Changes in Equity

For the nine months ended 30 June 2014

	Consolidated						
	Unaudited 9 Months 30/6/14						
Dollars in Millions	**Ordinary Capital**	**Perpetual Preference Capital**	**Retained Profits**	**Asset Revaluation Reserve**	**Available For Sale Investments Revaluation Reserve**	**Cash Flow Hedge Reserve**	**Total Share-holders' Equity**
Balance at beginning of period	**1,851**	**910**	**2,870**	**2**	**55**	**(1)**	**5,687**
Comprehensive income/(expense)							
Net profit attributable to shareholders of Bank of New Zealand	**-**	**-**	**598**	**-**	**-**	**-**	**598**
Total other comprehensive income/(expense)	**-**	**-**	**4**	**-**	**(6)**	**(36)**	**(38)**
Total comprehensive income/(expense)	**-**	**-**	**602**	**-**	**(6)**	**(36)**	**560**
Buyback of shares	**-**	**(260)**	**-**	**-**	**-**	**-**	**(260)**
Ordinary dividend	**-**	**-**	**(420)**	**-**	**-**	**-**	**(420)**
Perpetual preference dividend	**-**	**-**	**(36)**	**-**	**-**	**-**	**(36)**
Balance at end of period	**1,851**	**650**	**3,016**	**2**	**49**	**(37)**	**5,531**
	Unaudited 9 Months 30/6/13						
Balance at beginning of period	1,851	910	2,337	2	36	141	5,277
Comprehensive income/(expense)							
Net profit attributable to shareholders of Bank of New Zealand	-	-	536	-	-	-	536
Total other comprehensive income/(expense)	-	-	-	-	27	(106)	(79)
Total comprehensive income/(expense)	-	-	536	-	27	(106)	457
Ordinary dividend	-	-	(110)	-	-	-	(110)
Perpetual preference dividend	-	-	(43)	-	-	-	(43)
Balance at end of period	1,851	910	2,720	2	63	35	5,581
	Audited 12 Months 30/9/13						
Balance at beginning of year	1,851	910	2,337	2	36	141	5,277
Comprehensive income/(expense)							
Net profit attributable to shareholders of Bank of New Zealand	-	-	695	-	-	-	695
Total other comprehensive income/(expense)	-	-	3	-	19	(142)	(120)
Total comprehensive income/(expense)	-	-	698	-	19	(142)	575
Ordinary dividend	-	-	(110)	-	-	-	(110)
Perpetual preference dividend	-	-	(55)	-	-	-	(55)
Balance at end of year	1,851	910	2,870	2	55	(1)	5,687

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Balance Sheet

As at 30 June 2014

Dollars in Millions	Note	Consolidated Unaudited 30/6/14	Unaudited 30/6/13	Audited 30/9/13
Assets				
Cash and liquid assets	4	**2,001**	2,009	1,725
Due from central banks and other institutions	5	**2,131**	2,364	1,516
Trading securities	6	**3,201**	3,486	4,291
Available for sale investments		**60**	76	67
Derivative financial instruments		**3,527**	4,811	4,237
Loans and advances to customers	7	**63,792**	61,667	62,167
Current tax		**89**	112	77
Amounts due from related entities	13	**365**	366	391
Other assets		**357**	686	316
Deferred tax		**122**	134	128
Property, plant and equipment		**200**	219	212
Goodwill and other intangible assets		**188**	179	183
Total assets		**76,033**	76,109	75,310
Financed by:				
Liabilities				
Due to central banks and other institutions	9	**1,305**	1,558	1,304
Short term debt securities	10	**5,432**	6,117	5,550
Trading liabilities		**165**	46	71
Derivative financial instruments		**4,118**	4,755	4,907
Deposits from customers	11	**44,297**	40,835	41,823
Bonds and notes		**13,520**	14,606	14,210
Amounts due to related entities	13	**332**	871	245
Other liabilities		**618**	835	608
Subordinated debt	13	**715**	905	905
Total liabilities		**70,502**	70,528	69,623
Net assets		**5,531**	5,581	5,687
Shareholders' equity				
Contributed equity – ordinary shareholder		**1,851**	1,851	1,851
Reserves		**14**	100	56
Retained profits		**3,016**	2,720	2,870
Ordinary shareholder's equity		**4,881**	4,671	4,777
Contributed equity – perpetual preference shareholders	14	**650**	910	910
Total shareholders' equity		**5,531**	5,581	5,687

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Condensed Cash Flow Statement

For the nine months ended 30 June 2014

		Consolidated		
Dollars in Millions	Note	**Unaudited 9 Months 30/6/14**	Unaudited 9 Months 30/6/13	Audited 12 Months 30/9/13
Cash flows from operating activities				
Cash was provided from:				
Interest income		**2,871**	2,755	3,727
Other cash inflows provided from operating activities		**383**	556	810
Cash was applied to:				
Interest expense		**(1,706)**	(1,637)	(2,156)
Other cash outflows applied to operating activities		**(811)**	(742)	(973)
Net cash flows from operating activities before changes in operating assets and liabilities		**737**	932	1,408
Net change in operating assets and liabilities		**1,910**	(946)	416
Net cash flows from operating activities		**2,647**	(14)	1,824
Cash flows from investing activities				
Cash inflows provided from investing activities		**28**	11	11
Cash outflows applied to investing activities		**(60)**	(77)	(101)
Net cash flows from investing activities		**(32)**	(66)	(90)
Net cash flows from financing activities		**(1,705)**	(437)	(1,569)
Net movement in cash and cash equivalents		**910**	(517)	165
Cash and cash equivalents at beginning of period		**1,892**	1,727	1,727
Cash and cash equivalents at end of period		**2,802**	1,210	1,892
Cash and cash equivalents at end of period comprised:				
Cash and liquid assets	4	**2,001**	2,009	1,725
Due from central banks and other institutions classified as cash and cash equivalents	5	**1,352**	264	710
Due to central banks and other institutions classified as cash and cash equivalents	9	**(513)**	(1,088)	(565)
Amounts due from related entities classified as cash and cash equivalents	13	**70**	70	56
Amounts due to related entities classified as cash and cash equivalents	13	**(108)**	(45)	(34)
Total cash and cash equivalents		**2,802**	1,210	1,892

Reconciliation of net profit attributable to shareholders of Bank of New Zealand to net cash flows from operating activities

Net profit attributable to shareholders of Bank of New Zealand		**598**	536	695
Add back non-cash items in net profit		**215**	460	740
Deduct non-cash items in net profit		**(76)**	(64)	(27)
Add operating cash flows not included in net profit:				
Net change in operating assets and liabilities		**1,910**	(946)	416
Net cash flows from operating activities		**2,647**	(14)	1,824

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Note 1 Principal Accounting Policies

These interim financial statements are general purpose financial reports prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and the Order, and should be read in conjunction with the Disclosure Statement for the year ended 30 September 2013.

The following new standards and amendments to standards relevant to the Banking Group have been adopted from 1 October 2013 and have been applied in the preparation of these financial statements:

- NZ IFRS 7 Financial Instruments: Disclosures (amended in December 2012) is effective for periods on or after 1 January 2013. The amendment requires enhanced disclosures about financial instruments that are offset or subject to netting. Adoption of this amendment has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IFRS 9 (2013) Financial Instruments was approved in New Zealand in December 2013 to allow early adoption of own credit risk requirements in isolation. The Banking Group has elected to early adopt the 'own credit' provisions in NZ IFRS 9 from 1 October 2013. These provisions require an entity to present in other comprehensive income the fair value gains and losses attributable to changes in the entity's own credit risk for financial liabilities designated as measured at fair value through profit or loss (refer to the Statement of Comprehensive Income and note 2). Comparative balances have not been restated in accordance with the transition provisions of NZ IFRS 9 (2013).
- NZ IFRS 10 Consolidated Financial Statements was issued in June 2011 and is effective for periods beginning on or after 1 January 2013. The standard defines the principle of control, sets out requirements on how to apply the control principles, and establishes control as the basis for determining which entities are consolidated in the financial statements. Adoption of the new standard has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IFRS 12 Disclosure of Interests in Other Entities was issued in June 2011 and is effective for periods beginning on or after 1 January 2013. It enhances disclosure relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Adoption of the standard has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IFRS 13 Fair Value Measurement was issued in June 2011 and is effective for periods beginning on or after 1 January 2013. It explains how to measure fair value of assets and liabilities and expands the disclosure requirements for all assets or liabilities carried at fair value. Adoption of the new standard has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IAS 19 Employee Benefits (amended in July 2010) is effective for periods beginning on or after 1 January 2013. It requires the return on plan assets for defined benefit plans recognised in profit or loss to be calculated based on the rate used to discount the defined benefit, and also revises the definition of short term employee benefits. Adoption of these amendments has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IAS 27 Separate Financial Statements (amended in June 2011) is effective for periods beginning on or after 1 January 2013. It removes the disclosure requirements for consolidated financial statements, which are now included in NZ IFRS 10 and NZ IFRS 12. Adoption of these amendments has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IAS 28 Investments in Associates and Joint Ventures (amended in June 2011) is effective for periods beginning on or after 1 January 2013. It replaces NZ IAS 28 (2004), as a result of the issue of NZ IFRS 11 Joint Arrangements and NZ IFRS 12, effectively shifting the disclosure requirements to those standards. Adoption of these amendments has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IAS 32 Financial Instruments: Presentation (amended in December 2012) is effective for periods beginning on or after 1 January 2013. It has been amended to clarify the treatment of income tax relating to distributions and transaction costs. Adoption of these amendments has not resulted in any significant impact on the Banking Group's reported results or financial position.
- NZ IAS 34 Interim Financial Reporting (amended in December 2012) is effective for periods beginning on or after 1 January 2013. It has been amended to clarify the disclosure requirements for segment assets and liabilities in interim financial statements and requires the inclusion of certain fair value disclosures in interim financial statements (refer to note 15). Adoption of these amendments has not resulted in any significant impact on the Banking Group's reported results or financial position.

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the Disclosure Statement for the year ended 30 September 2013, except as disclosed above.

Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current interim financial period. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods.

Income Statement Notes

Dollars in Millions	Consolidated **Unaudited 9 Months 30/6/14**	Unaudited 9 Months 30/6/13	Audited 12 Months 30/9/13
Note 2 Gains Less Losses on Financial Instruments			
Trading gains less losses on financial instruments			
Foreign exchange trading gain	**52**	61	83
Interest rate related trading derivatives	**49**	78	90
Net gain/(loss) in the fair value of financial assets and liabilities held for trading	**8**	1	(6)
Trading gains less losses on financial instruments	**109**	140	167
Other gains less losses on financial instruments			
Hedge accounting			
Net gain arising from hedging instruments in fair value hedge accounting relationships	**35**	53	63
Net loss arising from the hedged items attributable to the hedged risk in fair value hedge accounting relationships	**(43)**	(39)	(49)
Ineffectiveness arising from cash flow hedge accounting relationships	**(2)**	-	-
	(10)	14	14
Other			
Net loss in the fair value of financial assets (refer to table below)	**(53)**	(49)	(49)
Net loss in the fair value of financial liabilities (refer to table below)	**(48)**	(148)	(165)
Net loss attributable to financial liabilities at amortised cost	**-**	-	(46)
Bid/offer adjustment	**(1)**	(3)	1
Net loss attributable to other derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments	**(5)**	(14)	(16)
	(107)	(214)	(275)
Other gains less losses on financial instruments	**(117)**	(200)	(261)
Total gains less losses on financial instruments	**(8)**	(60)	(94)
Net loss in the fair value of financial assets comprised:			
Loss in the fair value of financial assets designated at fair value through profit or loss	**(46)**	(107)	(138)
Credit risk adjustments on financial assets designated at fair value through profit or loss	**(31)**	(14)	(7)
Net gain attributable to other derivatives used for hedging purposes that do not qualify for hedge accounting	**24**	72	96
	(53)	(49)	(49)
Net loss in the fair value of financial liabilities comprised:[1]			
Gain in the fair value of financial liabilities designated at fair value through profit or loss	**1**	194	236
Credit risk adjustments on financial liabilities designated at fair value through profit or loss[2]	**-**	(135)	(142)
Net loss attributable to other derivatives used for hedging purposes that do not qualify for hedge accounting	**(49)**	(207)	(259)
	(48)	(148)	(165)

1 All foreign currency gains/(losses) are excluded from this category. Due to the Banking Group's practice of managing all foreign currency risk centrally, all foreign currency gains/(losses) are included within 'Foreign exchange trading gain' above.

2 In accordance with NZ IFRS 9 (2013) Financial Instruments, the Banking Group has presented the credit risk adjustments on financial liabilities designated at fair value through profit or loss for the nine months ended 30 June 2014 in other comprehensive income. Comparative balances are presented in the income statement and have not been restated. Refer to note 1 for further information.

Note 3 Segment Analysis

Operating segments

An operating segment is a component of an entity engaging in business activities and whose operating results are regularly reviewed by the entity's chief operating decision maker. For each operating segment identified by the Banking Group, financial information is regularly reported to the New Zealand Executive Team for the purposes of evaluation of performance and allocation of resources.

The Banking Group's business is organised into the following operating and reportable segments: Retail and BNZ Partners. Retail provides transactional banking, savings and investments, home loans, credit cards and personal loans to individual and small business customers and, for management reporting purposes, includes insurance activities carried out by a controlled entity of National Australia Bank Limited that is not part of the Banking Group. BNZ Partners provides financial services and products to medium-sized business, agribusiness, private banking, institutional and corporate customers.

Revenues and expenses directly associated with each operating segment are included in determining their result. Transactions between operating segments are based on agreed recharges between segments. Segment revenue represents revenue directly attributable to a segment and a portion of the Banking Group's revenue that can be allocated to a segment on a reasonable basis. Segment revenue includes Net interest income and Other operating income, and includes transfer pricing adjustments to reflect inter-segment funding arrangements.

Segment profit represents operating profit before unrealised fair value gains or losses on financial instruments and income or expenses which are one-off in nature and are not part of the Banking Group's core business operations.

Included within 'Other' in the table below are business activities that do not constitute a separately reportable segment; elimination entries on consolidation of the results and of the Banking Group's controlled entities in the preparation of the consolidated interim financial statements of the Banking Group; results of an entity included for management reporting purposes, but excluded from the consolidated interim financial statements of the Banking Group for statutory financial reporting purposes; and other balances excluded for management reporting purposes, but included as part of the consolidated interim financial statements of the Banking Group for statutory financial reporting purposes.

	Consolidated				
	Unaudited 9 Months 30/6/14				
Dollars in Millions	**Retail**	**BNZ Partners**	**Total Reportable Segments**	**Other**	**Total Banking Group**
Revenue from external customers	**640**	**831**	**1,471**	**52**	**1,523**
Net inter-segment revenue	**1**	**15**	**16**	**(16)**	**-**
Total segment revenue	**641**	**846**	**1,487**	**36**	**1,523**
Operating profit before income tax expense[1]	**278**	**500**	**778**	**53**	**831**
Income tax expense	**82**	**131**	**213**	**20**	**233**
Net profit attributable to shareholders of Bank of New Zealand	**196**	**369**	**565**	**33**	**598**
	Unaudited 9 Months 30/6/13				
Revenue from external customers	638	825	1,463	(37)	1,426
Net inter-segment revenue	1	15	16	(16)	-
Total segment revenue	639	840	1,479	(53)	1,426
Operating profit before income tax expense[1]	279	506	785	(54)	731
Income tax expense	76	144	220	(25)	195
Net profit attributable to shareholders of Bank of New Zealand	203	362	565	(29)	536
	Audited 12 Months 30/9/13				
Revenue from external customers	852	1,110	1,962	(57)	1,905
Net inter-segment revenue	1	21	22	(22)	-
Total segment revenue	853	1,131	1,984	(79)	1,905
Operating profit before income tax expense[1]	381	694	1,075	(126)	949
Income tax expense	105	194	299	(45)	254
Net profit attributable to shareholders of Bank of New Zealand	276	500	776	(81)	695

1 For the nine months ended 30 June 2014, operating profit before income tax expense within the 'Other' included fair value losses on financial instruments of $103 million (nine months ended 30 June 2013: $187 million; year ended 30 September 2013: $224 million), which are recorded as part of the overall gains less losses on financial instruments disclosed in note 2.

Asset Notes

	Consolidated		
Dollars in Millions	**Unaudited 30/6/14**	Unaudited 30/6/13	Audited 30/9/13
Note 4 Cash and Liquid Assets			
Notes and coins	**142**	128	151
Transaction balances with central banks	**1,750**	1,749	1,527
Transaction balances with other institutions	**109**	132	47
Total cash and liquid assets	**2,001**	2,009	1,725

	Consolidated		
Dollars in Millions	**Unaudited 30/6/14**	Unaudited 30/6/13	Audited 30/9/13
Note 5 Due from Central Banks and Other Institutions			
Loans and advances due from central banks	**245**	200	318
Loans and advances due from other institutions	**534**	1,900	488
Securities purchased under agreements to resell with other financial institutions[1]	**848**	204	36
Securities purchased under agreements to resell with non-financial institutions[1]	**504**	60	674
Total due from central banks and other institutions	**2,131**	2,364	1,516

[1] Classified as cash and cash equivalents in the cash flow statement.

The Banking Group has accepted collateral of New Zealand Government Securities with a fair value of $1,341 million as at 30 June 2014 arising from reverse repurchase agreements, which it is permitted to sell or repledge (30 June 2013: $264 million; 30 September 2013: $681 million). No government securities were used to secure deposit obligations as at 30 June 2014 (30 June 2013: nil; 30 September 2013: nil).

Government Securities with a fair value of $6 million were repledged as at 30 June 2014 (30 June 2013: $2 million; 30 September 2013: $72 million). Securities were repledged for periods of less than three months. The Bank's obligation to repurchase is classified under due to central banks and other institutions.

Included in due from central banks and other institutions as at 30 June 2014 was $779 million of collateral posted with counterparties to meet standard derivative trading obligations (30 June 2013: $573 million; 30 September 2013: $652 million).

	Consolidated		
Dollars in Millions	**Unaudited 30/6/14**	Unaudited 30/6/13	Audited 30/9/13
Note 6 Trading Securities			
Government bonds, notes and securities	**1,983**	1,577	2,033
Semi-government bonds, notes and securities	**375**	585	435
Corporate and other institutions bonds, notes and securities	**843**	1,324	1,823
Total trading securities	**3,201**	3,486	4,291

Included in trading securities as at 30 June 2014 were $25 million encumbered through repurchase agreements (30 June 2013: $569 million; 30 September 2013: $32 million). These trading securities have not been derecognised from the Bank as the Bank retains substantially all the risks and rewards of ownership. Counterparties have the right to sell or repledge these encumbered securities. The Bank's obligation to repurchase is classified under due to central banks and other institutions.

	Consolidated		
Dollars in Millions	**Unaudited 30/6/14**	Unaudited 30/6/13	Audited 30/9/13
Note 7 Loans and Advances to Customers			
Overdrafts	**2,267**	2,463	2,478
Credit card outstandings	**1,334**	1,344	1,333
Housing loans	**30,302**	29,315	29,495
Other term lending	**29,475**	28,262	28,498
Other lending	**844**	743	801
Total gross loans and advances to customers	**64,222**	62,127	62,605
Deduct:			
Allowance for impairment losses and credit risk adjustments on individual financial assets (refer to note 8)	**115**	176	149
Allowance for impairment losses and credit risk adjustments on groups of financial assets (refer to note 8)	**286**	277	284
Deferred and other unearned future income	**(8)**	24	12
Fair value hedge adjustments	**37**	(17)	(7)
Total deductions	**430**	460	438
Total net loans and advances to customers	**63,792**	61,667	62,167

The BNZ RMBS Trust Series 2008-1 (the "RMBS Trust") provides an in-house residential mortgage-backed securities programme to issue securities as collateral for borrowing from the Reserve Bank of New Zealand ("RBNZ"). As at 30 June 2014, included within the Banking Group's loans and advances to customers were housing loans with a carrying amount of $4,468 million held by the RMBS Trust (30 June 2013: $4,461 million; 30 September 2013: $4,470 million). These housing loans have not been derecognised by the Bank for financial reporting purposes as the Bank retains substantially all of the risks and rewards of ownership. The Banking Group had not entered into any repurchase agreements for residential mortgage-backed securities with the RBNZ as at 30 June 2014 (30 June 2013: nil; 30 September 2013: nil). RBNZ had not accepted any residential mortgage-backed securities as collateral from the Banking Group as at 30 June 2014 (30 June 2013: nil; 30 September 2013: nil) and, as a result, the securities issued by the RMBS Trust remain unencumbered.

The BNZ Covered Bond Trust (the "Covered Bond Trust") holds certain Bank of New Zealand housing loans, and its trustee provides guarantees of the covered bonds issued by the Bank or BNZ International Funding Limited, acting through its London Branch, a wholly owned controlled entity of the Bank. Guarantees provided in relation to the covered bonds issued have a prior claim over the assets of the Covered Bond Trust. As at 30 June 2014, included within the Banking Group's loans and advances to customers were housing loans with a carrying amount of $5,402 million held by the Covered Bond Trust (30 June 2013: $5,294 million; 30 September 2013: $5,403 million). These housing loans have not been derecognised by the Bank for financial reporting purposes as the Bank retains substantially all of the risks and rewards of ownership. The Banking Group had issued debt securities with a face value of $4,165 million that were guaranteed by the Covered Bond Trust as at 30 June 2014 (30 June 2013: $4,417 million; 30 September 2013: $4,307 million). The underlying collateral for the guarantees provided by the Covered Bond Trust comprised housing loans and other assets to the face value of $5,467 million as at 30 June 2014 (30 June 2013: $5,467 million; 30 September 2013: $5,467 million).

Included in other lending as at 30 June 2014 was $25 million of collateral posted with counterparties to meet standard derivative trading obligations (30 June 2013: nil; 30 September 2013: $68 million).

	Consolidated			
Dollars in Millions	Residential Mortgage Lending Unaudited 30/6/14	Other Retail Exposures Unaudited 30/6/14	Corporate Exposures Unaudited 30/6/14	Total Unaudited 30/6/14
Note 8 Asset Quality				
Allowance for impairment losses and credit risk adjustments				
Loans and advances to customers				
Individual financial assets				
Allowance for impairment losses	21	9	74	104
Credit risk adjustments on individual financial assets designated at fair value through profit or loss	-	2	9	11
	21	11	83	115
Groups of financial assets				
Allowance for impairment losses	13	34	99	146
Credit risk adjustments on groups of financial assets designated at fair value through profit or loss	-	2	138	140
	13	36	237	286
Trading derivative financial instruments				
Credit risk adjustments on groups of financial assets designated at fair value through profit or loss	-	-	8	8
Charges to income statement on financial assets				
Charge to impairment losses on credit exposures[1]				
Loans and advances to customers				
Impairment losses on individual financial assets	5	18	53	76
Impairment losses on groups of financial assets	(11)	(10)	-	(21)
	(6)	8	53	55
Charge to income statement on financial assets designated at fair value through profit or loss				
Loans and advances to customers				
Credit risk adjustments on individual financial assets	-	1	7	8
Credit risk adjustments on groups of financial assets	-	-	23	23
	-	1	30	31
Trading derivative financial instruments				
Charge to income statement on groups of financial assets	-	-	2	2
Pre-allowance balances at end of period				
Loans and advances to customers				
Other individually impaired assets – at amortised cost	66	15	175	256
Other individually impaired assets – at fair value through profit or loss	-	3	14	17
Total impaired assets at end of period	66	18	189	273
90 days past due assets	46	23	194	263

[1] Classified as impairment losses on credit exposures in the income statement.

Off-balance sheet impaired assets

Included in contingent liabilities in note 16 was $2 million of off-balance sheet facilities to counterparties for whom drawn balances are classified as individually impaired as at 30 June 2014. No allowance for impairment losses on individual off-balance sheet credit related commitments had been made as at 30 June 2014.

Liability Notes

Dollars in Millions	Consolidated Unaudited 30/6/14	Unaudited 30/6/13	Audited 30/9/13
Note 9 Due to Central Banks and Other Institutions			
Transaction balances with other institutions[1]	**465**	495	440
Deposits from central banks	**71**	76	80
Deposits from other financial institutions[2]	**744**	416	686
Securities sold under agreements to repurchase from other financial institutions[1]	**25**	571	98
Total due to central banks and other institutions	**1,305**	1,558	1,304

1 Classified as cash and cash equivalents in the cash flow statement.

2 Included in deposits from other financial institutions as at 30 June 2014 were $23 million classified as cash and cash equivalents in the cash flow statement (30 June 2013: $22 million; 30 September 2013: $27 million).

The Bank held no secured deposits from central banks and other institutions as at 30 June 2014 (30 June 2013: nil; 30 September 2013: nil).

Dollars in Millions	Consolidated Unaudited 30/6/14	Unaudited 30/6/13	Audited 30/9/13
Note 10 Short Term Debt Securities			
Certificates of deposit	**2,104**	2,025	1,720
Commercial paper	**3,328**	4,092	3,830
Total short term debt securities	**5,432**	6,117	5,550

Dollars in Millions	Consolidated Unaudited 30/6/14	Unaudited 30/6/13	Audited 30/9/13
Note 11 Deposits from Customers			
Demand deposits not bearing interest	**2,680**	2,509	2,590
Demand deposits bearing interest	**15,829**	14,148	14,193
Term deposits	**25,788**	24,178	25,040
Total deposits from customers	**44,297**	40,835	41,823

Other Notes

Dollars in Millions	Consolidated Unaudited 30/6/14
Note 12 Interest Earning and Discount Bearing Assets and Liabilities	
Interest earning and discount bearing assets	**70,032**
Interest and discount bearing liabilities	**62,940**

Dollars in Millions	Consolidated Unaudited 30/6/14	Unaudited 30/6/13	Audited 30/9/13
Note 13 Related Entity Transactions			
Total amounts due from related entities[1]	**365**	366	391
Total amounts due to related entities[2]	**1,047**	1,776	1,150

1 Included in total amounts due from related entities as at 30 June 2014 were $70 million classified as cash and cash equivalents in the cash flow statement (30 June 2013: $70 million; 30 September 2013: $56 million).

2 Included in total amounts due to related entities as at 30 June 2014 were $108 million classified as cash and cash equivalents in the cash flow statement (30 June 2013: $45 million; 30 September 2013: $34 million). Included in total amounts due to related entities was $715 million classified as subordinated debt on the balance sheet (30 June 2013: $905 million; 30 September 2013: $905 million).

On 30 June 2014 National Australia Bank Limited ("NAB") exercised its right to call the $260 million of perpetual non-cumulative shares issued by BNZ Income Securities 2 Limited ("BNZIS2"). The Bank was the nominated purchaser of the BNZIS2 perpetual non-cumulative shares. On the same day BNZIS2 repurchased the same $260 million of perpetual non-cumulative shares from the Bank.

Note 14 Contributed Equity

On 30 June 2014 the Bank bought back the $260 million of perpetual non-cumulative preference shares ("2009 BNZ PPS") issued to BNZ Income Management Limited on 26 June 2009.

Note 15 Fair Value of Financial Assets and Financial Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the purpose of this note, carrying amount refers to amounts reflected in the balance sheet. The methodologies and assumptions used in the fair value estimates are described on page 16.

	Consolidated					
	Unaudited 30/6/14		Unaudited 30/6/13		Audited 30/9/13	
Dollars in Millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash and liquid assets	**2,001**	**2,001**	2,009	2,009	1,725	1,725
Due from central banks and other institutions	**2,131**	**2,131**	2,364	2,364	1,516	1,516
Trading securities	**3,201**	**3,201**	3,486	3,486	4,291	4,291
Available for sale investments	**60**	**60**	76	76	67	67
Derivative financial instruments	**3,527**	**3,527**	4,811	4,811	4,237	4,237
Loans and advances to customers	**63,792**	**63,702**	61,667	61,676	62,167	62,155
Amounts due from related entities	**365**	**365**	366	366	391	391
Other financial assets	**252**	**252**	565	565	166	166
Total financial assets	**75,329**	**75,239**	75,344	75,353	74,560	74,548
Financial liabilities						
Due to central banks and other institutions	**1,305**	**1,305**	1,558	1,558	1,304	1,304
Short term debt securities	**5,432**	**5,432**	6,117	6,117	5,550	5,550
Trading liabilities	**165**	**165**	46	46	71	71
Derivative financial instruments	**4,118**	**4,118**	4,755	4,755	4,907	4,907
Deposits from customers	**44,297**	**44,438**	40,835	40,848	41,823	41,844
Bonds and notes	**13,520**	**13,520**	14,606	14,606	14,210	14,210
Amounts due to related entities	**332**	**332**	871	871	245	245
Subordinated debt	**715**	**715**	905	905	905	905
Other financial liabilities	**331**	**331**	562	562	299	299
Total financial liabilities	**70,215**	**70,356**	70,255	70,268	69,314	69,335

Note 15 Fair Value of Financial Assets and Financial Liabilities *continued*

Hierarchy for fair value measurements

The following tables present a three level fair value hierarchy of the Banking Group's financial assets and financial liabilities which are measured at fair value.

The three levels in the hierarchy are based on the valuation methods and assumptions used in determining the fair values of financial assets and financial liabilities. The levels are as follows:

- Level 1. Quoted prices in active markets for identical assets or liabilities.
- Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Banking Group did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 3 classification.

Management uses its judgement in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market.

There were no transfers between Level 1 and 2 in the nine months ended 30 June 2014 (nine months ended 30 June 2013: nil; year ended 30 September 2013: nil).

	Consolidated (30/6/14)		
		Unaudited	
Dollars in Millions	**Total**	**Level 1**	**Level 2**
Financial assets at fair value			
Due from central banks and other institutions	**779**	**-**	**779**
Trading securities	**3,201**	**1,983**	**1,218**
Available for sale investments	**60**	**60**	**-**
Derivative financial instruments	**3,527**	**-**	**3,527**
Loans and advances to customers	**25,558**	**-**	**25,558**
Financial liabilities at fair value			
Due to central banks and other institutions	**816**	**-**	**816**
Short term debt securities	**5,432**	**-**	**5,432**
Trading liabilities	**165**	**165**	**-**
Derivative financial instruments	**4,118**	**-**	**4,118**
Deposits from customers	**4,346**	**-**	**4,346**
Bonds and notes	**13,520**	**-**	**13,520**

	Consolidated (30/6/13)		
		Unaudited	
Dollars in Millions	Total	Level 1	Level 2
Financial assets at fair value			
Due from central banks and other institutions	2,100	-	2,100
Trading securities	3,486	1,577	1,909
Available for sale investments	76	76	-
Derivative financial instruments	4,811	-	4,811
Loans and advances to customers	23,673	-	23,673
Financial liabilities at fair value			
Due to central banks and other institutions	492	-	492
Short term debt securities	6,117	-	6,117
Trading liabilities	46	46	-
Derivative financial instruments	4,755	-	4,755
Deposits from customers	2,218	-	2,218
Bonds and notes	14,606	-	14,606

Note 15 Fair Value of Financial Assets and Financial Liabilities *continued*

Hierarchy for fair value measurements *continued*

	Consolidated (30/9/13) Audited		
Dollars in Millions	Total	Level 1	Level 2
Financial assets at fair value			
Due from central banks and other institutions	806	-	806
Trading securities	4,291	2,033	2,258
Available for sale investments	67	67	-
Derivative financial instruments	4,237	-	4,237
Loans and advances to customers	24,081	-	24,081
Financial liabilities at fair value			
Due to central banks and other institutions	766	-	766
Short term debt securities	5,550	-	5,550
Trading liabilities	71	71	-
Derivative financial instruments	4,907	-	4,907
Deposits from customers	2,469	-	2,469
Bonds and notes	14,210	-	14,210

The fair value estimates are based on the following methodologies and assumptions:

Due from central banks and other institutions, Due to central banks and other institutions and Short term debt securities

These assets and liabilities are primarily short term in nature or are receivable or payable on demand. In such cases the carrying amounts approximate their fair value or it has been determined using discounted cash flow models based on observable market prices as appropriate.

Trading securities, Available for sale investments and Trading liabilities

Trading securities include treasury bills, bank bills and bonds, promissory notes, and government and other securities. Trading liabilities include short sales of securities. Available for sale investments include listed equity securities and other securities. These assets and liabilities are recorded at fair value based on quoted closing market prices as at the reporting date. Where quoted market prices are not available, the Banking Group obtains the fair value by means of discounted cash flows and other valuation techniques based on observable market prices. These techniques address factors such as interest rates, credit risk and liquidity.

Loans and advances to customers

The carrying value of loans and advances is net of allowance for impairment losses, credit risk adjustments, unearned and deferred income. Floating rate loans to customers generally reprice within six months, therefore, their fair value is assumed to equate their carrying value. For fixed rate loans, the fair value is estimated by discounting the expected future cash flows based on the maturity of the loans and advances, using current market interest rates of similar types of loans and advances or interest rate swap rates. The differences between estimated fair values of loans and advances and carrying value reflect the difference between observable market interest rates and customer rates on day one and changes in interest rates and creditworthiness of borrowers since loan or advance origination.

Derivative financial instruments

The fair values of trading and hedging derivatives, including foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps, are obtained from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate.

Amounts due from / to related entities

The carrying amount of Amounts due from and due to related entities is considered to approximate the fair value.

Deposits from customers

With respect to Deposits from customers, the fair value of non-interest-bearing, call and variable rate deposits and fixed rate deposits repricing within six months is approximated as the carrying value as at the reporting date. For other fixed rate term deposits, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market interest rates.

Bonds and notes

Bonds and notes are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. The fair value includes a calculation of the Banking Group's own credit risk based on observable market data.

Subordinated debt

All subordinated loans from related entities reprice every 90 days, therefore, their fair value is considered to approximate their carrying value.

The fair value of other subordinated debt is based on quoted closing market prices as at the reporting date.

Other financial assets / liabilities

These include securities sold/purchased but not yet settled and accrued interest. Securities sold/purchased but not yet settled and the fair value of accrued interest is approximately equal to the carrying amounts on the balance sheet due to the short term nature of the amounts.

Note 16 Contingent Liabilities and Credit Related Commitments

Bank of New Zealand and other income tax group members have a joint and several liability for the income tax liability of the income tax group. Bank of New Zealand is not expected to incur any additional tax liability as a result of this joint and several liability.

Contingent liabilities and credit related commitments exist in respect of commitments to extend credit, letters of credit and financial guarantees, as well as claims, potential claims and court proceedings against entities in the Banking Group. Any potential liability arising in respect of these claims cannot be accurately assessed. Where some loss is probable appropriate provisions have been made.

Contingent liabilities and credit related commitments arising in respect of the Banking Group's operations were:

	Consolidated		
Dollars in Millions	**Unaudited 30/6/14**	Unaudited 30/6/13	Audited 30/9/13
Contingent liabilities			
Bank guarantees	**56**	59	59
Standby letters of credit	**360**	311	323
Documentary letters of credit	**93**	111	120
Performance related contingencies	**420**	351	364
Total contingent liabilities	**929**	832	866
Credit related commitments			
Revocable commitments to extend credit	**7,041**	7,044	7,107
Irrevocable commitments to extend credit	**8,089**	8,059	7,905
Total credit related commitments	**15,130**	15,103	15,012
Total contingent liabilities and credit related commitments	**16,059**	15,935	15,878

Note 17 Concentrations of Credit Exposures to Individual Counterparties and Groups of Closely Related Counterparties

The Banking Group's disclosure of concentrations of credit exposures to individual counterparties and groups of closely related counterparties is based on actual credit exposures and excludes credit exposures to connected persons, the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent, and banks with a long term credit rating of A- or A3 or above, or its equivalent. Peak credit exposures to individual counterparties are calculated using the Banking Group's end of period shareholders' equity.

As at 30 June 2014 and for the three months ended 30 June 2014, the Banking Group had no bank or non-bank counterparties that equalled or exceeded 10% of the Banking Group's equity and met the disclosure requirements described above.

Note 18 Insurance Business

The Banking Group does not conduct any Insurance Business, as defined in clause 3 of the Bank's conditions of registration.

Note 19 Capital Adequacy

The tables included below and on the following page detail the capital calculation, capital ratios and capital requirements as at 30 June 2014. During the interim financial period the Banking Group fully complied with all RBNZ's capital requirements as set out in the Bank's conditions of registration. The Bank's conditions of registration require capital adequacy ratios for the Banking Group to be calculated under the Basel III framework in accordance with the RBNZ's Capital Adequacy Framework (Internal Models Based Approach) ("BS2B") dated September 2013.

Regulatory capital

The following table shows the qualifying capital for the Banking Group.

Dollars in Millions	Consolidated Unaudited 30/6/14
Qualifying capital	
Common Equity Tier One capital (before deductions)	4,867
Deductions from Common Equity Tier One capital	364
Total Common Equity Tier One capital (net of all deductions)	4,503
Total Additional Tier One capital[1]	650
Total Tier One capital	5,153
Total Tier Two capital[2]	767
Total Tier One and Tier Two qualifying capital	5,920

1 Contributed equity (comprised of perpetual preference shares) in Additional Tier One capital are subject to phase-out in accordance with BS2B. The phase-out, which commenced on 1 January 2014, takes place over five years, with the maximum eligible amount of Additional Tier One capital for these instruments declining by 20% each year. The base amount for phase-out was fixed at the nominal amount outstanding as at 1 January 2013 and amounted to $910 million. The $260 million 2009 BNZ PPS were bought back on 30 June 2014.

2 Subordinated loans from related entities in Tier Two capital are subject to phase-out in accordance with BS2B. The phase-out takes place over five years, with the maximum eligible amount of Tier Two capital for these instruments declining by 20% each year which commenced on 1 January 2014. The base amount for phase-out was fixed at the nominal amount outstanding as at 1 January 2013 and amounted to $905 million. Subordinated loans of $190 million were repaid in February 2014. Tier Two Capital includes asset revaluation reserve of $2 million and available for sale investments revaluation reserve of $49 million.

Basel III regulatory capital ratios

The table below shows the capital adequacy ratios based on BS2B, expressed as a percentage of total risk-weighted exposures.

	Consolidated	
	Regulatory Minima	Unaudited 30/6/14
Common Equity Tier One capital ratio	4.50%	8.99%
Tier One capital ratio	6.00%	10.28%
Total qualifying capital ratio	8.00%	11.82%
Buffer ratio for Common Equity Tier One capital	2.50%	3.82%

Total regulatory capital requirements

Dollars in Millions	Consolidated Total Capital Requirement[3] Unaudited 30/6/14
Credit risk	
Exposures subject to the internal ratings based approach	2,789
Equity exposures	15
Specialised lending subject to the slotting approach	496
Exposures subject to the standardised approach	39
Credit value adjustment subject to BS2B	62
Agribusiness supervisory adjustment[4]	119
Total credit risk	3,520
Operational risk	350
Market risk	139
Total	4,009

3 In calculating total capital requirement, a scalar of 1.06 has been applied to the risk-weighted assets, as required by the RBNZ in accordance with the Bank's conditions of registration.

4 The agribusiness supervisory adjustment increases the risk weight of the Banking Group's rural lending portfolio to a minimum specified by the RBNZ.

Note 19 Capital Adequacy *continued*

Credit risk subject to the Internal Ratings Based ("IRB") approach

	Consolidated
Dollars in Millions	Total Minimum Capital Requirement Unaudited 30/6/14
Corporate	**1,707**
Sovereign	**5**
Bank	**37**
Residential mortgage	**867**
Other retail	**123**
Retail small to medium enterprises	**50**
Total credit risk exposures subject to the IRB approach[1]	**2,789**

1 The BS2B credit value adjustment and agribusiness supervisory adjustment have not been included in the above exposures.

Residential mortgages by loan-to-valuation ratio

The table below sets out residential mortgage lending (including loans to businesses) wholly or partly secured by mortgages over residential properties as used to calculate the Banking Group's Pillar One capital requirement by the loan-to-valuation ratio ("LVR").

The LVRs are calculated as the greater of the customer's current loan limit or balance, divided by the Banking Group's valuation of the security at the last credit event for the customer. Where no LVR is available, the exposure is included in the 'Over 90%' category.

	Consolidated		
Dollars in Millions	On-balance Sheet Exposures at Default Unaudited 30/6/14	Off-balance Sheet Exposures at Default[2] Unaudited 30/6/14	Total Exposures at Default Unaudited 30/6/14
LVR Range			
0-59%	**9,786**	**1,371**	**11,157**
60-69%	**5,637**	**527**	**6,164**
70-79%	**11,246**	**1,001**	**12,247**
80-89%	**1,792**	**65**	**1,857**
Over 90%	**1,844**	**234**	**2,078**
Total exposures at default secured by residential mortgages	**30,305**	**3,198**	**33,503**

2 Off-balance sheet exposures include unutilised limits and loans approved but not yet drawn.

Capital for other material risks

As at 30 June 2014, the Banking Group had an internal capital allocation for Business Risk of $118 million. The assessment of Business Risk covers strategic, reputation and earnings risk.

Note 20 Risk Management

There have been no material changes to the Banking Group's policies for managing risk, or material exposures to new categories of risk since 31 March 2014.

Liquidity portfolio management

The table below shows financial assets held by the Banking Group for the purpose of managing liquidity risk.

	Consolidated
Dollars in Millions	Unaudited 30/6/14
Cash and balances immediately convertible to cash	**2,001**
Securities purchased under agreements to resell	**1,352**
Government bonds, notes and securities	**1,952**
Semi-government bonds, notes and securities	**375**
Corporate and other financial bonds, notes and securities	**843**
Total liquidity portfolio	**6,523**

As at 30 June 2014, the Banking Group also held unencumbered residential mortgage-backed securities ("RMBS") of $4,491 million of which $4,300 million can be sold to RBNZ under agreements to repurchase for liquidity purposes. The Banking Group had not entered into any repurchase agreements for residential mortgage-backed securities with the RBNZ as at 30 June 2014.

As at 30 June 2014, there was an A$750 million standby liquidity facility, which is reviewed annually, provided from National Australia Bank Limited for the Banking Group's liquidity management.

Credit Ratings

Bank of New Zealand has the following credit ratings applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's (Australia) Pty Limited	AA-	Outlook Stable
Moody's Investors Service Pty Limited	Aa3	Outlook Stable

Conditions of Registration

Changes in conditions of registration

During the reporting period the Bank was notified of the following changes to its conditions of registration that came into effect on 1 July 2014:

The definition of "banking group" was updated to reference section 6(1) of the Financial Markets Conduct Act 2013.

References within the Conditions of Registration to the following banking standards were updated to refer to new versions dated July 2014: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B), "Connected Exposures Policy" (BS8),"Corporate Governance" (BS14), "Liquidity Policy" (BS13) and "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19). These changes are summarised as follows:

"Capital Adequacy Framework (Internal Models Based Approach)" BS2B was amended to provide greater clarity as to the definition of residential mortgage lending, to require internal models banks to have a residential property valuation policy which is Board-approved, and introduce changes in relation to Reserve Bank approval for internal models changes.

"Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) was amended to introduce changes to defined terms relating to housing lending which cross-refer to, or depend on terms in BS2B, and to strengthen the policy requirements against avoidance activity.

References to definitions or provisions of the Financial Reporting Act 1993 in the following banking standards have been replaced, in a staged approach, by references to the equivalent in the Financial Reporting Act 2013, or in the Financial Markets Conduct Act 2013, as applicable: BS2B, "Connected exposures policy" (BS8), "Corporate Governance" (BS14) and "Liquidity Policy" (BS13).

Directors' Statement

The Directors of Bank of New Zealand (the "Bank") state that each Director of the Bank believes, after due enquiry, that:

1. as at the date on which the Disclosure Statement is signed:
   (a) the Disclosure Statement contains all the information that is required by the Order; and
   (b) the Disclosure Statement is not false or misleading; and
2. during the nine months ended 30 June 2014:
   (a) the Bank has complied with its conditions of registration applicable during that period;
   (b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and
   (c) the Bank 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 22nd of August 2014 and signed by Messrs. Waller and Healy as Directors and as responsible persons on behalf of all the other Directors.

J A Waller
Chairman

A J Healy
Managing Director and Chief Executive Officer