National Australia Bank

National Australia Bank Limited
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AUSTRALIA

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ASX ANNOUNCEMENT

Tuesday, 19 February, 2013

Bank of New Zealand Disclosure Statement

National Australia Bank Limited today released the Disclosure Statement for the Bank of New Zealand. This is prepared quarterly to meet a regulatory requirement.

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Bank of New Zealand

Disclosure Statement

For the three months ended 31 December 2012

No. 68

This Disclosure Statement has been issued by Bank of New Zealand for the three months ended 31 December 2012 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2012 (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.

Disclosure Statement

For the three months ended 31 December 2012

Contents

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

Wholesale funding guarantee – Certain debt securities issued by the Bank, or its subsidiary, BNZ International Funding Limited (London Branch), prior to 30 April 2010 are guaranteed by the Crown under the Crown's wholesale funding guarantee scheme (the "Scheme"). The Scheme was closed to new guarantees on 30 April 2010. The guarantor under the Scheme is Her Majesty the Queen in right of New Zealand acting by and through the Minister of Finance (the "Crown"). The Crown's address for service is 1 The Terrace, Wellington 6011, New Zealand.

The Scheme guarantees certain payment obligations of the Bank in respect of principal and interest (excluding penalty interest) owing under the guaranteed debt securities. The expiry date of the guarantee is the earlier of the maturity date of the guaranteed obligation or five years after the issue date of the guaranteed obligation.

A guarantee eligibility certificate is issued in respect of each issue of debt securities that is covered by the Crown wholesale funding guarantee. Copies of the guarantee eligibility certificates issued to Bank of New Zealand and information about the Scheme are available from New Zealand Treasury's website – www.treasury.govt.nz/economy/guarantee/wholesale.

The information about the Crown's wholesale funding guarantee above is a brief summary only. The full wholesale funding guarantee should be reviewed by any person intending to rely on the guarantee to ensure that they understand how it will apply to their circumstances. Any person intending to rely on the wholesale funding guarantee should also search the relevant eligibility certificates.

Covered bond guarantee – Certain debt securities ("Covered Bonds") issued by the Bank, or its subsidiary, BNZ International Funding Limited (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 10, 141 Willis Street, Wellington 6011, 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 credit 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 guarantees can be obtained by referring to the Bank's Disclosure Statement for the year ended 30 September 2012 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 4 (UB 4440), 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 Bank or the Banking Group.

Other Material Matters

With the continuing uncertainty over the extent of the impact of the Canterbury earthquake events, the Bank continues to hold an allowance against potential credit losses that result as a consequence.

New Zealand's financial system continues to face a challenging international environment where global economic activity is weak, the sovereign debt situation in Europe remains fragile and global growth could be further impacted by tightening of the United States fiscal policy. However, the Bank's Directors have the opinion that the Bank has a strong funding and capital base to manage through this 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

There have been no changes in the composition of the Bank's Board of Directors since 30 September 2012.

Responsible Persons – Messrs. John Anthony Waller, Non-Executive Director, Chairman, and Andrew Gregory Thorburn, 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

Edwin Gilmour Johnson

Dr Susan Carrel Macken

Stephen John Moir

Dr Andrew John Pearce

Gavin Robin Slater

Income Statement

For the three months ended 31 December 2012

Dollars in Millions	Note	Consolidated Unaudited 3 Months 31/12/12	Consolidated Unaudited 3 Months 31/12/11	Consolidated Audited 12 Months 30/9/12
Interest income		**952**	930	3,790
Interest expense		**566**	572	2,287
Net interest income		**386**	358	1,503
Gains less losses on financial instruments at fair value	2	**(74)**	139	(233)
Other operating income		**109**	102	374
Total operating income		**421**	599	1,644
Operating expenses		**209**	196	794
Total operating profit before impairment losses on credit exposures and income tax expense		**212**	403	850
Impairment losses on credit exposures	8	**36**	3	61
Total operating profit before income tax expense		**176**	400	789
Income tax expense on operating profit		**50**	111	209
Net profit attributable to shareholders of Bank of New Zealand		**126**	289	580

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 three months ended 31 December 2012

Dollars in Millions	Consolidated Unaudited 3 Months 31/12/12	Consolidated Unaudited 3 Months 31/12/11	Consolidated Audited 12 Months 30/9/12
Net profit attributable to shareholders of Bank of New Zealand	**126**	289	580
Other comprehensive (expense)/income, net of taxation:			
Items that will not be reclassified to profit or loss			
Net actuarial gain on defined benefit plan	**-**	-	1
	-	-	1
Items that may be reclassified subsequently to profit or loss			
Net change in foreign currency translation reserve	**-**	-	(3)
Net change in cash flow hedge reserve	**(19)**	46	22
Available for sale investments revaluation reserve:			
Change in available for sale investments revaluation reserve from revaluation	**11**	4	16
	(8)	50	35
Total other comprehensive (expense)/income, net of taxation	**(8)**	50	36
Total comprehensive income attributable to shareholders of Bank of New Zealand	**118**	339	616

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 three months ended 31 December 2012

Dollars in Millions	Ordinary Capital	Perpetual Preference Capital	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available For Sale Investments Revaluation Reserve	Cash Flow Hedge Reserve	Total Share-holders' Equity
Consolidated — Unaudited 3 Months 31/12/12								
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	**-**	**-**	**126**	**-**	**-**	**-**	**-**	**126**
Total other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**-**	**11**	**(19)**	**(8)**
Total comprehensive income/(expense)	**-**	**-**	**126**	**-**	**-**	**11**	**(19)**	**118**
Perpetual preference dividend	**-**	**-**	**(16)**	**-**	**-**	**-**	**-**	**(16)**
Balance at end of period	**1,851**	**910**	**2,447**	**2**	**-**	**47**	**122**	**5,379**
Unaudited 3 Months 31/12/11								
Balance at beginning of period	1,451	910	1,844	2	3	20	119	4,349
Comprehensive income								
Net profit attributable to shareholders of Bank of New Zealand	-	-	289	-	-	-	-	289
Total other comprehensive income	-	-	-	-	-	4	46	50
Total comprehensive income	-	-	289	-	-	4	46	339
Perpetual preference dividend	-	-	(16)	-	-	-	-	(16)
Balance at end of period	1,451	910	2,117	2	3	24	165	4,672
Audited 12 Months 30/9/12								
Balance at beginning of year	1,451	910	1,844	2	3	20	119	4,349
Comprehensive income/(expense)								
Net profit attributable to shareholders of Bank of New Zealand	-	-	580	-	-	-	-	580
Total other comprehensive income/(expense)	-	-	1	-	(3)	16	22	36
Total comprehensive income/(expense)	-	-	581	-	(3)	16	22	616
Proceeds from shares issued	400	-	-	-	-	-	-	400
Ordinary dividend	-	-	(25)	-	-	-	-	(25)
Perpetual preference dividend	-	-	(63)	-	-	-	-	(63)
Balance at end of year	1,851	910	2,337	2	-	36	141	5,277

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

Balance Sheet

As at 31 December 2012

Dollars in Millions	Note	Consolidated Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Assets				
Cash and liquid assets	4	**1,456**	1,918	1,628
Due from central banks and other institutions	5	**2,412**	1,092	2,054
Trading securities	6	**4,483**	3,778	3,610
Available for sale investments		**61**	38	50
Derivative financial instruments		**4,656**	5,518	5,324
Loans and advances to customers	7	**59,778**	57,662	58,919
Current tax		**88**	28	121
Amounts due from related entities	13	**286**	594	288
Other assets		**285**	322	594
Deferred tax		**146**	167	143
Property, plant and equipment		**214**	212	214
Goodwill and other intangible assets		**167**	158	166
Total assets		**74,032**	71,487	73,111
Financed by:				
Liabilities				
Due to central banks and other institutions	9	**1,881**	1,180	1,996
Short term debt securities	10	**7,490**	7,845	5,365
Trading liabilities		**-**	28	120
Derivative financial instruments		**4,580**	5,326	5,612
Deposits from customers	11	**38,476**	34,958	37,090
Bonds and notes		**13,262**	11,663	13,201
Amounts due to related entities	13	**1,495**	3,990	2,705
Other liabilities		**564**	564	840
Subordinated debt	13	**905**	1,261	905
Total liabilities		**68,653**	66,815	67,834
Net assets		**5,379**	4,672	5,277
Shareholders' equity				
Contributed equity – ordinary shareholder		**1,851**	1,451	1,851
Reserves		**171**	194	179
Retained profits		**2,447**	2,117	2,337
Ordinary shareholder's equity		**4,469**	3,762	4,367
Contributed equity – perpetual preference shareholders		**910**	910	910
Total shareholders' equity		**5,379**	4,672	5,277

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 three months ended 31 December 2012

Dollars in Millions	Note	Consolidated Unaudited 3 Months 31/12/12	Consolidated Unaudited 3 Months 31/12/11	Consolidated Audited 12 Months 30/9/12
Cash flows from operating activities				
Cash was provided from:				
Interest income		**954**	927	3,770
Other cash inflows provided from operating activities		**109**	118	490
Cash was applied to:				
Interest expense		**(633)**	(643)	(2,300)
Other cash outflows applied to operating activities		**(239)**	(269)	(981)
Net cash flows from operating activities before changes in operating assets and liabilities		**191**	133	979
Net change in operating assets and liabilities		**(1,617)**	1,080	2,356
Net cash flows from operating activities		**(1,426)**	1,213	3,335
Cash flows from investing activities				
Cash inflows provided from investing activities		**-**	28	28
Cash outflows applied to investing activities		**(19)**	(32)	(98)
Net cash flows from investing activities		**(19)**	(4)	(70)
Net cash flows from financing activities		**807**	(1,110)	(2,937)
Net movement in cash and cash equivalents		**(638)**	99	328
Cash and cash equivalents at beginning of period		**1,709**	1,381	1,381
Cash and cash equivalents at end of period		**1,071**	1,480	1,709
Cash and cash equivalents at end of period comprised:				
Cash and liquid assets	4	**1,456**	1,918	1,628
Due from central banks and other institutions classified as cash and cash equivalents	5	**1,228**	420	1,338
Due to central banks and other institutions classified as cash and cash equivalents	9	**(1,613)**	(858)	(1,257)
Total cash and cash equivalents		**1,071**	1,480	1,709

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		**126**	289	580
Add back non-cash items in net profit		**157**	73	480
Deduct non-cash items in net profit		**(92)**	(229)	(81)
Deduct operating cash flows not included in net profit:				
Net change in operating assets and liabilities		**(1,617)**	1,080	2,356
Net cash flows from operating activities		**(1,426)**	1,213	3,335

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 2012.

There have been no material changes in accounting policies during the interim financial period. 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 2012.

The following amendment to standards relevant to the Banking Group have been adopted from 1 October 2012 and have been applied in the preparation of these interim financial statements. Adoption of this amendment has not resulted in any significant impact on the Banking Group's reported results or financial position.

- NZ IAS 1 Amendments to NZ IAS 1 Presentation of Financial Statements was issued in August 2011 and is effective for periods beginning on or after 1 July 2012. It requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments). Items included in other comprehensive income that may be reclassified into profit or loss in subsequent periods include gains or losses on cash flow hedges. Those that will not be reclassified include defined benefits actuarial gains and losses.

Income Statement Notes

	Consolidated		
Dollars in Millions	**Unaudited 3 Months 31/12/12**	Unaudited 3 Months 31/12/11	Audited 12 Months 30/9/12
Note 2 Gains Less Losses on Financial Instruments at Fair Value			
Trading gains less losses on financial instruments at fair value			
Foreign exchange trading gain	**17**	24	84
Interest rate related trading derivatives	**13**	20	62
Net gain/(loss) in the fair value of financial assets and liabilities held for trading	**6**	7	(3)
Trading gains less losses on financial instruments at fair value	**36**	51	143
Other gains less losses on financial instruments at fair value			
Hedge accounting			
Net gain arising from hedging instruments in fair value hedge accounting relationships	**17**	8	63
Net loss arising from the hedged items attributable to the hedged risk in fair value hedge accounting relationships	**(12)**	(6)	(51)
Ineffectiveness arising from cash flow hedge accounting relationships	**1**	-	-
	6	2	12
Other			
Net loss in the fair value of financial assets (refer to table below)	**(8)**	(43)	(139)
Net (loss)/gain in the fair value of financial liabilities (refer to table below)	**(100)**	130	(239)
Bid/offer adjustment	**(1)**	1	2
Net loss attributable to other derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments	**(7)**	(2)	(12)
	(116)	86	(388)
Other gains less losses on financial instruments at fair value	**(110)**	88	(376)
Total gains less losses on financial instruments at fair value	**(74)**	139	(233)
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	**(24)**	(1)	(70)
Credit risk adjustments on financial assets designated at fair value through profit or loss	**4**	(22)	(78)
Net gain/(loss) attributable to other derivatives used for hedging purposes that do not qualify for hedge accounting	**12**	(20)	9
	(8)	(43)	(139)
Net (loss)/gain in the fair value of financial liabilities comprised:*			
Loss in the fair value of financial liabilities designated at fair value through profit or loss	**(9)**	(67)	(164)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	**(85)**	35	(194)
Net (loss)/gain attributable to other derivatives used for hedging purposes that do not qualify for hedge accounting	**(6)**	162	119
	(100)	130	(239)

* 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.

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 resource.

The Banking Group's business is organised into the following operating and reportable segments: Retail and BNZ Partners. Retail provides financial services and products to individual 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 business, agribusiness 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. Inter-segment pricing is determined on an arm's length basis.

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 3 Months 31/12/12				
Dollars in Millions	Retail	BNZ Partners	Total Reportable Segments	Other	Total Banking Group
Revenue from external customers	**212**	**281**	**493**	**(72)**	**421**
Net inter-segment revenue	**-**	**4**	**4**	**(4)**	**-**
Total segment revenue	**212**	**285**	**497**	**(76)**	**421**
Operating profit before income tax expense*	**92**	**170**	**262**	**(86)**	**176**
Income tax expense	**25**	**49**	**74**	**(24)**	**50**
Net profit attributable to shareholders of Bank of New Zealand	**67**	**121**	**188**	**(62)**	**126**
	Unaudited 3 Months 31/12/11				
Revenue from external customers	202	269	471	128	599
Net inter-segment revenue	(1)	30	29	(29)	-
Total segment revenue	201	299	500	99	599
Operating profit before income tax expense*	92	221	313	87	400
Income tax expense	24	62	86	25	111
Net profit attributable to shareholders of Bank of New Zealand	68	159	227	62	289
	Audited 12 Months 30/9/12				
Revenue from external customers	831	1,085	1,916	(272)	1,644
Net inter-segment revenue	1	102	103	(103)	-
Total segment revenue	832	1,187	2,019	(375)	1,644
Operating profit before income tax expense*	361	734	1,095	(306)	789
Income tax expense	93	208	301	(92)	209
Net profit attributable to shareholders of Bank of New Zealand	268	526	794	(214)	580

* For the three months ended 31 December 2012, operating profit before income tax expense within the 'Other' included fair value losses on financial instruments of $113 million (three months ended 31 December 2011: $121 million; year ended 30 September 2012: $339 million), which are recorded as part of the overall gains less losses on financial instruments at fair value disclosed in note 2.

Dollars in Millions	Consolidated Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Note 4 Cash and Liquid Assets			
Notes and coins	**219**	192	123
Transaction balances with central banks	**1,138**	1,624	1,445
Transaction balances with other financial institutions	**99**	102	60
Total cash and liquid assets	**1,456**	1,918	1,628

Dollars in Millions	Consolidated Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Note 5 Due from Central Banks and Other Institutions			
Loans and advances due from central banks	**276**	223	303
Loans and advances due from other financial institutions	**908**	449	413
Securities purchased under agreements to resell with other financial institutions*	**22**	33	101
Securities purchased under agreements to resell with non-financial institutions*	**1,206**	387	1,237
Total due from central banks and other institutions	**2,412**	1,092	2,054

* 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 $1,228 million as at 31 December 2012 arising from reverse repurchase agreements, which it is permitted to sell or repledge (31 December 2011: $343 million; 30 September 2012: $1,316 million).

Government Securities with a fair value of $374 million were repledged as at 31 December 2012 (31 December 2011: nil; 30 September 2012: $443 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 31 December 2012 was $621 million of collateral posted with counterparties to meet standard derivative trading obligations (31 December 2011: $327 million; 30 September 2012: $707 million).

Dollars in Millions	Consolidated Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Note 6 Trading Securities			
Government bonds, notes and securities	**2,191**	2,477	2,204
Semi-government bonds, notes and securities	**788**	490	724
Corporate and other financial institutions bonds, notes and securities	**1,504**	811	682
Total trading securities	**4,483**	3,778	3,610

Included in trading securities as at 31 December 2012 were $637 million encumbered through repurchase agreements (31 December 2011: $314 million; 30 September 2012: $240 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. No trading securities were used to secure deposit obligations as at 31 December 2012 (31 December 2011: nil; 30 September 2012: nil).

Dollars in Millions	Consolidated Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Note 7 Loans and Advances to Customers			
Overdrafts	**2,157**	1,927	2,257
Credit card outstandings	**1,400**	1,441	1,344
Housing loans	**28,489**	27,615	28,131
Other term lending	**27,581**	26,715	27,100
Other lending	**633**	427	544
Total gross loans and advances to customers	**60,260**	58,125	59,376
Deduct:			
Allowance for impairment losses and credit risk adjustments on individual financial assets (refer to note 8)	**192**	226	185
Allowance for impairment losses and credit risk adjustments on groups of financial assets (refer to note 8)	**294**	292	285
Deferred and other unearned future income	**40**	45	43
Fair value hedge adjustments	**(44)**	(100)	(56)
Total deductions	**482**	463	457
Total net loans and advances to customers	**59,778**	57,662	58,919

The BNZ RMBS Trust Series 2008-1 (the “RMBS Trust”) provides an in-house residential mortgage-backed securities facility to issue securities as collateral for borrowing from the Reserve Bank of New Zealand (“RBNZ”). As at 31 December 2012, included within the Banking Group’s loans and advances to customers were housing loans with a carrying amount of $4,346 million held by the RMBS Trust (31 December 2011: $4,470 million; 30 September 2012: $4,468 million). These housing loans have not been derecognised from the Bank’s financial statements 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 31 December 2012 (31 December 2011: nil; 30 September 2012: nil). RBNZ had not accepted any residential mortgage-backed securities as collateral from the Banking Group as at 31 December 2012 (31 December 2011: nil; 30 September 2012: 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 (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 31 December 2012, included within the Banking Group’s loans and advances to customers were housing loans with a carrying amount of $4,957 million held by the Covered Bond Trust (31 December 2011: $4,049 million; 30 September 2012: $5,400 million). These housing loans have not been derecognised from the Bank’s financial statements 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 $4,362 million that were guaranteed by the Covered Bond Trust as at 31 December 2012 (31 December 2011: $3,321 million; 30 September 2012: $4,275 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 31 December 2012 (31 December 2011: $4,083 million; 30 September 2012: $5,467 million).

Dollars in Millions	Residential Mortgage Lending Unaudited 31/12/12	Other Retail Exposures Unaudited 31/12/12	Corporate Exposures Unaudited 31/12/12	Total Unaudited 31/12/12
	Consolidated			
Note 8 Asset Quality				
Allowance for impairment losses and credit risk adjustments				
Loans and advances to customers				
Individual financial assets				
Allowance for impairment losses	37	23	85	145
Credit risk adjustments on individual financial assets designated at fair value through profit or loss	-	1	46	47
	37	24	131	192
Groups of financial assets				
Allowance for impairment losses	29	48	102	179
Credit risk adjustments on groups of financial assets designated at fair value through profit or loss	-	2	113	115
	29	50	215	294
Trading derivative financial instruments				
Credit risk adjustments on groups of financial assets designated at fair value through profit or loss	-	-	9	9
Charges to income statement on financial assets				
Charge to impairment losses on credit exposures				
Loans and advances to customers				
Impairment losses on individual financial assets	1	8	20	29
Impairment losses on groups of financial assets	(1)	(1)	9	7
	-	7	29	36
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	-	-	(6)	(6)
Credit risk adjustments on groups of financial assets	-	-	2	2
	-	-	(4)	(4)
Pre-allowance balances at end of period				
Loans and advances to customers				
Other individually impaired assets – at amortised cost	100	33	214	347
Other individually impaired assets – at fair value through profit or loss	-	1	104	105
Total impaired assets at end of period	100	34	318	452
90 days past due assets	63	25	187	275

Off-balance sheet impaired assets

Included in contingent liabilities in note 14 was $2 million off-balance sheet facilities to counterparties for whom drawn balances were classified as individually impaired as at 31 December 2012. No allowance for impairment losses on individual off-balance sheet credit related commitments had been made as at 31 December 2012.

Liability Notes

Dollars in Millions	Consolidated Unaudited 31/12/12	Consolidated Unaudited 31/12/11	Consolidated Audited 30/9/12
Note 9 Due to Central Banks and Other Institutions			
Transaction balances with other financial institutions*	**578**	542	464
Deposits from central banks	**72**	64	82
Deposits from other financial institutions**	**223**	258	660
Securities sold under agreements to repurchase from other financial institutions*	**1,008**	316	790
Total due to central banks and other institutions	**1,881**	1,180	1,996

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

** Included in deposits from other financial institutions as at 31 December 2012 were $27 million classified as cash and cash equivalents in the cash flow statement (31 December 2011: nil; 30 September 2012: $3 million).

The Bank held no secured deposits from central banks and other institutions as at 31 December 2012 (31 December 2011: nil; 30 September 2012: nil).

Dollars in Millions	Consolidated Unaudited 31/12/12	Consolidated Unaudited 31/12/11	Consolidated Audited 30/9/12
Note 10 Short Term Debt Securities			
Certificates of deposit	**2,144**	1,816	1,838
Commercial paper	**5,346**	6,029	3,527
Total short term debt securities	**7,490**	7,845	5,365

Dollars in Millions	Consolidated Unaudited 31/12/12	Consolidated Unaudited 31/12/11	Consolidated Audited 30/9/12
Note 11 Deposits from Customers			
Demand deposits not bearing interest	**2,415**	1,995	2,193
Demand deposits bearing interest	**13,932**	11,700	12,536
Term deposits	**22,129**	21,263	22,361
Total deposits from customers	**38,476**	34,958	37,090

Dollars in Millions	Consolidated Unaudited 31/12/12
Note 12 Interest Earning and Discount Bearing Assets and Liabilities	
Interest earning and discount bearing assets	**66,942**
Interest and discount bearing liabilities	**61,016**

Dollars in Millions	Consolidated Unaudited 31/12/12
Note 13 Related Entity Transactions	
Total amounts due from related entities	**286**
Total amounts due to related entities*	**2,400**

* Included in total amounts due to related entities is $905 million classified as subordinated debt on the balance sheet.

Note 14 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.

On 31 July 2006, the Bank sold 100% of the share capital in Custom Fleet (NZ) Limited. The Bank provided limited indemnities regarding certain sale-related warranties and the performance of Custom Fleet (NZ) Limited prior to 31 July 2006. These indemnities are valid for a period of not longer than seven years from the date of sale.

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

	Consolidated		
Dollars in Millions	Unaudited 31/12/12	Unaudited 31/12/11	Audited 30/9/12
Contingent liabilities			
Bank guarantees	**60**	56	59
Standby letters of credit	**319**	326	322
Documentary letters of credit	**73**	51	97
Performance related contingencies	**334**	320	318
Total contingent liabilities	**786**	753	796
Credit related commitments			
Revocable commitments to extend credit	**6,697**	6,745	6,798
Irrevocable commitments to extend credit	**8,257**	7,093	7,547
Total credit related commitments	**14,954**	13,838	14,345
Total contingent liabilities and credit related commitments	**15,740**	14,591	15,141

Note 15 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 31 December 2012 and for the three months ended 31 December 2012, 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 16 Insurance Business

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

Notes to and Forming Part of the Interim Financial Statements *continued*

Note 17 Capital Adequacy

The tables included below detail the capital calculation, capital ratios and capital requirements as at 31 December 2012. 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 II framework in accordance with the RBNZ's Capital Adequacy Framework (Internal Models Based Approach) ("BS2B") dated August 2012.

Regulatory capital

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

Dollars in Millions	Consolidated Unaudited 31/12/12
Qualifying capital	
Tier One capital (before deductions)	5,098
Deductions from Tier One capital	89
Total Tier One capital (net of all deductions and adjustments)	5,009
Tier Two capital (before deductions)	1,081
Deductions from Tier Two capital	54
Total Tier Two capital	1,027
Total Tier One and Tier Two qualifying capital	6,036

Basel II regulatory capital ratios

The table below shows the capital adequacy ratios based on BS2B.

	Consolidated Regulatory Minima	Consolidated Unaudited 31/12/12
Tier One capital expressed as a percentage of total risk-weighted exposures	4.00%	11.17%
Total qualifying capital expressed as a percentage of total risk-weighted exposures	8.00%	13.46%

Total regulatory capital requirements

Dollars in Millions	Consolidated Total Capital Requirement* Unaudited 31/12/12
Credit risk	
Exposures subject to the internal ratings based approach (refer to table below)	2,633
Equity exposures	16
Specialised lending subject to the slotting approach	447
Exposures subject to the standardised approach	51
Total credit risk	3,147
Operational risk	345
Market risk	97
Total	3,589

* 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.

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

Dollars in Millions	Consolidated Total Minimum Capital Requirement Unaudited 31/12/12
Corporate	1,592
Sovereign	6
Bank	59
Residential mortgage	795
Other retail	125
Retail small to medium enterprises	56
Total exposures	2,633

Note 17 Capital Adequacy *continued*

Residential mortgages by loan-to-valuation ratio

The table below sets out residential mortgage lending (including loans to businesses) 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 31/12/12	Off-balance Sheet Exposures at Default* Unaudited 31/12/12	Total Exposures at Default Unaudited 31/12/12
LVR Range			
0-59%	**9,534**	**1,326**	**10,860**
60-69%	**4,823**	**418**	**5,241**
70-79%	**10,034**	**770**	**10,804**
80-89%	**2,110**	**70**	**2,180**
Over 90%	**2,003**	**444**	**2,447**
	28,504	**3,028**	**31,532**

* Off-balance sheet exposures included unutilised limits and loans approved but not yet drawn.

Pillar two capital for other material risks

As at 31 December 2012, the Banking Group had an internal capital allocation for Business Risk of $133 million. The assessment of Business Risk covers strategic, reputation and earnings risk.

Note 18 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 30 September 2012.

Liquidity portfolio management

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

Dollars in Millions	Consolidated Unaudited 31/12/12
Cash and balances immediately convertible to cash	**2,018**
Securities purchased under agreements to resell	**1,228**
Government bonds, notes and securities	**1,180**
Semi-government bonds, notes and securities	**788**
Corporate and other financial bonds, notes and securities	**1,504**
Total liquidity portfolio	**6,718**

As at 31 December 2012, the Banking Group also held unencumbered residential mortgage-backed securities ("RMBS") of $4,491 million. The RMBS 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 31 December 2012.

As at 31 December 2012, there was an A$1 billion standby liquidity facility, which is reviewed annually, provided from National Australia Bank Limited for the Banking Group's liquidity management in the course of its normal trading activities.

Note 19 Subsequent Events

BNZ Investment Services Limited (a wholly owned subsidiary of Bank of New Zealand) established the BNZ KiwiSaver Scheme by a Trust Deed dated 8 January 2013 between it and The New Zealand Guardian Trust Company Limited. The Scheme was registered under the KiwiSaver Act 2006 on 16 January 2013. The BNZ KiwiSaver Scheme prospectus was registered on 28 January 2013 and it is expected that the Scheme will be launched to the public in February 2013.

BNZ Investment Services Limited is the issuer and manager of the BNZ KiwiSaver Scheme. Bank of New Zealand and its directors are each promoters of the BNZ KiwiSaver Scheme. It is intended the BNZ KiwiSaver Scheme will invest its cash investments in bank deposits and short term securities with Bank of New Zealand, and the Scheme's banking arrangements will be provided by Bank of New Zealand. All arrangements will be conducted on arms' length commercial terms.

Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of Bank of New Zealand or any other member of the National Australia Bank Limited group, and are subject to investment risk, including the possible loss of income and principal invested. None of Bank of New Zealand, or any other member of the National Australia Bank Limited group, the Trustee (The New Zealand Guardian Trust Company Limited), any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of the BNZ KiwiSaver Scheme or the repayment of capital.

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

On 31 October 2012 the following changes were made to the Bank's conditions of registration:

- a new condition 13A applied confirming the one-week and one-month mismatch ratios and the one-year core funding ratio that applied until 31 December 2012; and
- condition 14 has been amended so that the one-year core funding ratio applicable from 1 January 2013 is not less than 75% at the end of each business day.

From 1 January 2013, the capital adequacy conditions will be updated to refer to a revised version of "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated December 2012 to put in effect the Reserve Bank's Basel III policy:

- condition 1(b) will be amended so that the Tier 1 capital ratio of the Banking Group is not less than 6 percent;
- a new condition 1(c) will apply so that the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5 percent;
- a new condition 1(e) will apply so that the process in Subpart 2H of the BS2B dated December 2012 is followed for the recognition and repayment of capital; and
- conditions 1A(b) and 1B will be amended to cross reference the revised BS2B document.

From 1 January 2014:

- A new condition 1C will apply in relation to BS2B so that, if the buffer ratio of the Banking Group is 2.5% or less, the Bank must:
  - (a) according to the following table, limit the aggregate distributions of the Bank's earnings to the percentage limit to distributions that corresponds to the Banking Group's buffer ratio:

Banking Group's buffer ratio	Percentage limit to distributions of the Bank's earnings
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	60%

  - (b) prepare a capital plan to restore the Banking Group's buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and
  - (c) have the capital plan approved by the Reserve Bank.

From 1 January 2013, the Banking Group complied with all applicable conditions of registration.

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 three months ended 31 December 2012:
   (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 15th of February 2013 and signed by Messrs. Waller and Thorburn as Directors and as responsible persons on behalf of all the other Directors.

J A Waller
Chairman

A G Thorburn
Managing Director and Chief Executive Officer