Offering Memorandum

ANZ Bank New Zealand Limited
(incorporated with limited liability in New Zealand)
as Issuer and Guarantor

ANZ New Zealand (Int'l) Limited
(incorporated with limited liability in New Zealand)
as Issuer

US$10,000,000,000
Medium-Term Notes

Series A Notes
Due One Year or More from Date of Issue

ANZ Bank New Zealand Limited ("**ANZ New Zealand**") and ANZ New Zealand (Int'l) Limited ("**ANZNIL**") (each an "**Issuer**" and together, the "**Issuers**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium-term notes, due one year or more from the date of issue. Notes of ANZ New Zealand are referred to as "**ANZ NZ Notes**", notes of ANZNIL are referred to as "**ANZNIL Notes**" and ANZ NZ Notes and ANZNIL Notes are collectively referred to as "**Notes**". The payment of all amounts due in respect of any ANZNIL Notes will be unconditionally and irrevocably guaranteed by ANZ New Zealand (the "**Guarantee**"). Other than as set forth in the preceding sentence, the Notes are not guaranteed by any person, including our ultimate parent Australia and New Zealand Banking Group Limited.

The following terms may apply to the Notes:

- Mature one year or more from the date of issue;
- May be subject to redemption at the Issuer's option or require repurchase at your option;
- A fixed interest rate, which may be zero if Notes are issued at a discount from the principal amount due at maturity, or a floating interest rate, or both fixed and floating rate;
- Floating interest rates may include:
  - Commercial Paper Rate
  - Prime Rate
  - LIBOR
  - EURIBOR
  - Treasury Rate
  - CMT Rate
  - CD Rate
  - Federal Funds Rate
  - New Zealand Bank Bill Rate
  - Australian Bank Bill Rate
  - Eleventh District Cost of Funds Rate
- Book-entry only form; and
- Minimum denomination of US$200,000, and integral multiples of US$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof.

The final terms of each Note will be specified in the relevant Final Terms (as defined herein). For more information, see "Description of the Notes and the Guarantee".

Investing in the Notes involves risks. See "Risk Factors" beginning on page 23 of this Offering Memorandum.

Each initial and subsequent purchaser of the Notes offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Notes and may in certain circumstances be required to provide confirmation of compliance with such resale or other transfer restrictions below and as set forth in "Notice to Purchasers" and "Plan of Distribution".

The Notes and the Guarantee are being offered and sold without registration under the United States Securities Act of 1933, as amended (the "**Securities Act**"): (A) to "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance upon the exemptions provided by Section 4(a)(2) of the Securities Act and Rule 144A promulgated thereunder and (B) to certain persons in reliance upon Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that the seller of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see "Notice to Purchasers" and "Plan of Distribution".

The Notes are not protected accounts or deposit liabilities of the Issuers and, except as expressly stated in this Offering Memorandum, are not insured or guaranteed by (1) the Crown or any governmental agency of New

Zealand, (2) the United States of America, the Federal Deposit Insurance Corporation or any other governmental agency of the United States or (3) the government or any government agency of any other jurisdiction.

Application will be made to the Financial Conduct Authority (the "**UK Listing Authority**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FSMA**") for Notes issued within the period of 12 months from the date of this Offering Memorandum to be admitted to the official list of the UK Listing Authority (the "**Official List**") and an application will be made to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. In this Offering Memorandum, references to Notes being "listed" will mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a "regulated market", for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Notes will be issued in registered, book-entry only form and will be eligible for clearance through the facilities of The Depository Trust Company ("**DTC**") and its participants, including Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions which are applicable to a particular issuance of Notes (each, a "**Tranche**") will be set out in the relevant Final Terms relating to such Notes which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issuance of the Notes of such Tranche.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area (each a "**Member State**") in circumstances which would otherwise require the publication of a prospectus under Article 3 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "**Prospectus Directive**"), the minimum denomination at the issue date shall be no less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The credit ratings referred to in this Offering Memorandum in respect of ANZ New Zealand have been issued, and the credit ratings in respect of the Notes (when issued) will be issued, by one or more of Standard & Poor's (Australia) Pty. Ltd. ("S&P"), Moody's Investors Service Pty Limited ("Moody's"), and Fitch Australia Pty Ltd ("Fitch"). None of S&P, Moody's and Fitch is established in the European Union and none has applied for registration under Regulation (EC) No. 1060/2009 (as amended by Regulation (EC) No. 513/2011) (the "CRA Regulation") but their credit ratings are endorsed on an ongoing basis by Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. and Fitch Ratings Ltd., respectively, pursuant to and in accordance with the CRA Regulation. Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. and Fitch Ratings Ltd. are established in the European Union and are registered under the CRA Regulation.

The foreign currency sovereign credit ratings of New Zealand referred to in this Offering Memorandum have been issued by Standard & Poor's (Australia) Pty. Ltd. and Fitch (Hong Kong) Limited, neither of which is established in the European Union or has applied for registration under the CRA Regulation.

The credit rating of any Notes may be specified in the applicable Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation or issued by a credit rating agency established in a third country but whose credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation, unless the rating is provided by a credit rating agency operating in the European Union before June 7, 2010 ("European Entity") which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused, or is provided by a third party country rating entity whose ratings are disclosed in that registration application as being ratings that will be endorsed by the European Entity. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Arranger and Lead Agent

J.P. Morgan

Agents

ANZ Securities, Inc. | **Citigroup** | **HSBC**
Barclays | **Deutsche Bank Securities** | **Morgan Stanley**
BofA Merrill Lynch | **Goldman, Sachs & Co.** | **Wells Fargo Securities**

November 27, 2013

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Notice to Purchasers

NEITHER THE NOTES NOR THE GUARANTEE OFFERED HEREBY HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AUTHORITY. NEITHER THE SEC NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES AND THE GUARANTEE ARE BEING OFFERED AND SOLD TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF AND IN RELIANCE UPON THE EXEMPTIONS PROVIDED BY SECTION 4(a)(2) OF THE SECURITIES ACT, AND RULE 144A PROMULGATED THEREUNDER AND TO CERTAIN PERSONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Each initial and subsequent purchaser of a Note or Notes will be deemed to have acknowledged, represented and agreed as follows:

(1) The Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable securities law and, accordingly, neither the Notes nor the Guarantee may be offered, sold, transferred, pledged, encumbered or otherwise disposed of unless in a transaction exempt from registration under the Securities Act and any other applicable securities law.

(2) (A) It is a QIB, and is purchasing for its own account or solely for the account of one or more QIBs for which it acts as a fiduciary or agent, and such purchaser acknowledges that it is aware that the seller may rely upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder or (B) it is a purchaser acquiring such Notes in an offshore transaction within the meaning of Regulation S that is not a "U.S. person" (and is not acquiring such Notes for the account or benefit of a U.S. person) within the meaning of Regulation S.

(3) It agrees on its own behalf and on behalf of any account for which it is purchasing Notes, to offer, sell or otherwise transfer such Notes (A) only in minimum principal amounts of US$200,000 or such larger principal amounts as shall be specified in the relevant Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency) and (B) prior to the date that is one year after the later of (i) the issue date of such Notes and (ii) the last date on which the Issuer thereof or any affiliate of the Issuer was the beneficial owner of such Notes (or any predecessor of such Notes) only (a) pursuant to the exemption from the registration requirements of the Securities Act provided by either Rule 144A or Regulation S, (b) to the Issuer, ANZ New Zealand (in the case of ANZNIL Notes) or any of their respective subsidiaries or an Agent that is a party to the Amended and Restated Distribution Agreement, dated as of December 11, 2007, among ANZ New Zealand, ANZNIL and the Agents named therein, as amended from time to time (the "**Distribution Agreement**") or (c) pursuant to an exemption from such registration requirements as confirmed in an opinion of counsel satisfactory to such Issuer and ANZ New Zealand (in the case of ANZNIL Notes). It acknowledges that each Note will contain a legend substantially to the effect of the foregoing paragraph (1) and this paragraph (3).

(4) It acknowledges that the Fiscal Agent referred to herein will register the transfer of any Note resold or otherwise transferred by such purchaser pursuant to clause (c) of the foregoing paragraph (3) only upon receipt of an opinion of counsel satisfactory to the Issuer and ANZ New Zealand (in the case of ANZNIL Notes).

(5) It acknowledges that the Issuers, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and it agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it in connection with its purchase of Notes are no longer accurate, it shall promptly notify the Issuer of such Notes, ANZ New Zealand (in the case of ANZNIL Notes) and the Agent through which it purchased any Notes. If it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(6) Either (a) it is not a pension, profit-sharing or other employee benefit plan that is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or any similar provision of applicable federal, state, local, foreign or other law, and it is not purchasing the Notes on behalf of or with the assets of any such plan or (b) its purchase and holding of the Notes, or exercise of any right thereunder, will not result in a non-exempt prohibited transaction for purposes of ERISA, the Code or, where applicable, any such similar law.

Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from the Issuers and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained or incorporated by reference herein, (ii) it has not relied on any Agent or any person affiliated with any Agent in connection with its investigation of the accuracy and completeness of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning either Issuer, ANZ New Zealand (in the case of ANZNIL Notes) or the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by such Issuer, ANZ New Zealand (in the case of ANZNIL Notes) or any Agent.

This Offering Memorandum comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom. This Offering Memorandum supersedes and replaces in its entirety the Offering Memorandum dated March 8, 2013 for the ANZ New Zealand and ANZNIL medium-term note program.

Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the Code, and the Treasury Regulations promulgated thereunder) of the offering of the Notes and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

This Offering Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where such action is required.

The Notes are subject to restrictions on transferability and resale. Investors may not transfer or resell the Notes except as described in this Offering Memorandum and as permitted under the Securities Act and other applicable securities laws. Investors may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. 13.4.14(A)

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this document and to the best of the knowledge and belief of each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. 9.1.1 9.1.2 11.1.1 11.1.2 13.1.1(A) 13.1.2(A)

This Offering Memorandum should, in relation to each Tranche, be read and construed together with the relevant Final Terms.

In connection with the issue of any Tranche, the Agent or Agents (if any) named as the stabilizing manager(s) (or persons acting on behalf of any stabilizing managers) in the relevant Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilizing manager(s) (or persons acting on behalf of a stabilizing manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant stabilizing manager(s) (or person(s) acting on behalf of the stabilizing manager(s)) in accordance with all applicable laws and rules.

All references to websites in this Offering Memorandum, any Final Terms or any amendment or supplement hereto or thereto or in any document incorporated or deemed to be incorporated by reference in this Offering Memorandum are, unless expressly stated otherwise, intended to be inactive textual references for information only and any information contained in or accessible through any such website does not form a part of this Offering Memorandum, unless specifically stated in this Offering Memorandum or in any such document that all or any portion of such information is incorporated by reference in this Offering Memorandum.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, 1955, AS AMENDED ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available Information

Each prospective purchaser of the Notes is hereby offered the opportunity to ask questions of the Issuers concerning the terms and conditions of the offering and to request from the Issuers any additional information such prospective purchaser may consider necessary in making an informed investment decision or in order to verify the information set forth herein.

The Disclosure Statements of the ANZ New Zealand Group for the year ended September 30, 2013 (the "**2013 Disclosure Statement**") and the year ended September 30, 2012 (the "**2012 Disclosure Statement**"), which contain the audited consolidated financial statements of the ANZ New Zealand Group for the years ended September 30, 2013, 2012 and 2011 (the "**ANZ New Zealand Financial Statements**"), are attached to this Offering Memorandum as Annex A. Information in the 2012 Disclosure Statement is superseded by information contained in the 2013 Disclosure Statement and the information in each of the Disclosure Statements is superseded by information contained in this Offering Memorandum, in each case to the extent there are any inconsistencies.

For segment reporting purposes in the Disclosure Statements, the ANZ New Zealand Group is split into four business segments: Retail, Commercial, Wealth and Institutional. Segmental reporting has been updated to reflect minor changes to the ANZ New Zealand Group structure. Comparative data for the year ended September 30, 2012, has been adjusted to be consistent with the current segment definitions. Adjustments have not been made to the segment results for the year ended September 30, 2011 and, therefore, segment results for 2011 are compared to the unadjusted 2012 results so that they can be discussed on a consistent basis in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The audited financial statements of ANZNIL for the years ended September 30, 2013 and 2012 (the "**ANZNIL Financial Statements**") are attached to this Offering Memorandum as Annex A-1.

While any Notes remain outstanding, the relevant Issuer will, during any period in which ANZ New Zealand is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any QIB who holds any Note and any prospective purchaser of a Note who is a QIB designated by the holder of such Note, upon the request of such holder or prospective purchaser, the information concerning ANZ New Zealand required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

If at any time the Issuers shall be required to prepare a supplementary prospectus pursuant to Section 87G of the FSMA, the Issuers will prepare and make available a supplement to this Offering Memorandum or a further Offering Memorandum which, in the case of a supplement in respect of any subsequent issue of Notes to be admitted to the Official List of the UK Listing Authority, will constitute a supplementary prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

The Issuers will provide, without charge, to each person to whom a copy of this Offering Memorandum has been delivered, upon the request of such person, a copy of the Previous Conditions (as defined herein) or a copy of the Fiscal Agency Agreement (as defined herein). Written requests should be addressed to ANZ Bank New Zealand Limited, Level 8, P.O. Box 540, 1 Victoria Street, Wellington, 6011, New Zealand, Attention: The Treasurer. In addition, the Fiscal Agency Agreement will be available free of charge from the principal office in London of The Bank of New York Mellon in its capacity as paying agent for the Notes listed on the London Stock Exchange. 6.4.1

Certain Defined Terms

In this Offering Memorandum, unless the context otherwise requires:

- references to "**we**", "**our**", "**us**" or "**ANZ New Zealand Group**" are to ANZ New Zealand together with its consolidated subsidiaries (including, among others, ANZNIL);
- references to "**ANZ New Zealand**", the "**bank**" or the "**Guarantor**" are to ANZ Bank New Zealand Limited or, prior to October 29, 2012 but after June 28, 2004, ANZ National Bank Limited, and prior to June 28, 2004, ANZ Banking Group (New Zealand) Limited;
- references to "**ANZNIL**" are to ANZ New Zealand (Int'l) Limited, formerly ANZ National (Int'l) Limited and NBNZ International Limited;
- references to "**ANZBGL**" are to our ultimate parent, Australia and New Zealand Banking Group Limited;
- references to the "**ANZ Group**" are to ANZBGL together with its consolidated subsidiaries (including, among others, ANZ New Zealand and ANZNIL);
- references to "**ANZ Wealth**" are to ANZ Wealth New Zealand Limited, a wholly-owned subsidiary of ANZ New Zealand, formerly known as OnePath Holdings (NZ) Limited;
- references to "**ANZ**" are to the ANZ New Zealand Group's ANZ brand;
- references to "**APRA**" are to the Australian Prudential Regulation Authority;
- references to "**Final Terms**" are to a supplement hereto, which shall be substantially in the form attached hereto as Annex B, describing the terms of a Tranche; references to "your Final Terms" are to the Final Terms describing the specific terms of the Note(s) you purchase;
- references to the "**Fiscal Agency Agreement**" are to the fiscal agency agreement, dated as at March 15, 2005, as amended, among ANZ New Zealand, ANZNIL and The Bank of New York Mellon, as Fiscal Agent;
- references to "**ING NZ**" are to ING (NZ) Holdings Limited now known as ANZ Wealth;
- references to "**legislation**" include any amendments, re-enactments or replacement of legislation;
- references to "**The National Bank**" or "**The National Bank of New Zealand**" are to The National Bank of New Zealand brand;
- references to the "**New Zealand branch of ANZBGL**" and the "**New Zealand branch**" are to the New Zealand branch established by ANZBGL that was registered on January 5, 2009;
- references to "**Obligor**" are to any of the Issuers or the Guarantor;
- references to this "**Offering Memorandum**" are to this offering memorandum, the annexes hereto, any supplement hereto and any information incorporated herein by reference;
- references to "**one-year core funding ratio**" means all funding with residual maturity longer than one year plus 50% of tradable debt securities with original maturity of two years and with 6-12 months residual maturity plus non-market funding with residual maturity less than one year, discounted according to size bands, plus tier 1 capital divided by total loans and advances;
- references to "**RBNZ**" are to the Reserve Bank of New Zealand;
- references to "**Retail**" are to ANZ New Zealand's retail banking business, including its branch network;
- references to "**RMBS**" are to residential mortgage backed securities;
- references to "**2013**" mean our fiscal year ended September 30, 2013 and references to 2012 and reference to other years have a comparable meaning, in each case, unless the context requires otherwise;
- references to "$", "**New Zealand dollars**", "**NZ$**", "**NZD**" or "**NZ dollars**" are to the lawful currency of New Zealand;

- references to “**A$**” or “**Australian dollars**” are to the lawful currency of Australia;
- references to “**€**”, “**EUR**”, or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union as amended from time to time; and
- references to “**US$**”, “**USD**” or “**U.S. dollars**” are to the lawful currency of the United States.

Forward-Looking Statements

This Offering Memorandum contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of ANZ New Zealand or the ANZ New Zealand Group to differ materially from the information presented herein. When used in this Offering Memorandum, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "may", "probably", "will", "seek", "would", "could", "should" and similar expressions, as they relate to the ANZ New Zealand Group and its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date hereof. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. The ANZ New Zealand Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

For example, the forward-looking statements contained in this Offering Memorandum could be affected by:

- adverse conditions in global or regional debt and equity markets;
- general business and economic conditions in New Zealand and the external markets with which New Zealand trades, in particular, Australia, Asia, Europe and U.S.;
- the impact of cyclones, tsunamis, floods, earthquakes and other natural disasters, including the continuing impacts of the Canterbury area earthquakes that occurred on September 4, 2010 and February 22, 2011 and continuing aftershocks;
- continuing impacts of the global financial crisis, including volatile conditions in funding, equity, currency and asset markets;
- market liquidity and investor confidence;
- changes to our credit ratings;
- inflation, interest rate, exchange rate, market and monetary fluctuations and longer term changes;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy including those arising from the global financial crisis, such as increased liquidity and capital requirements;
- levels of credit risk and the adequacy of provisions to cover credit impairment;
- changes in consumer spending, saving and borrowing habits in New Zealand and external markets in which we, our customers or counterparties operate, in particular, Australia, Asia, Europe and U.S.;
- the effects of competition in the geographic and business areas in which we, our customers or our counterparties operate;
- the ability to maintain or increase market share and control expenses;
- the ability to complete, integrate and process acquisitions and dispositions;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by users;
- an adverse change to our reputation;
- the reliability and security of our technology and the various risks associated with changes in our technology systems;
- operational and environmental factors;
- demographic changes and changes in political, social, and economic conditions in New Zealand and any of the jurisdictions in which we, our customers or our counterparties operate;
- the impact of currency and commodity price fluctuations on New Zealand's agricultural and tourism sector;
- the stability of New Zealand, Australian, international and regional financial systems and disruptions to

financial markets, the continuing financial and credit turmoil in Europe and the U.S. and any losses we may experience as a result; and

- various other factors beyond our control.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Offering Memorandum.

Enforcement of Liabilities; Service of Process

ANZ New Zealand and ANZNIL are each registered under the Companies Act 1993 of New Zealand, incorporated in New Zealand and have limited liability. The directors and officers of ANZ New Zealand and ANZNIL and certain of the experts named herein reside outside the United States. In addition, a substantial portion of the assets of the ANZ New Zealand Group, those of the directors and officers and those of the experts are located outside of the United States. As a result, it may be difficult for United States investors to effect service of process within the United States upon ANZ New Zealand or ANZNIL or any of those persons or to enforce against ANZ New Zealand or ANZNIL or any of those persons, outside of the United States, judgments obtained in the United States courts predicated upon the civil liability provisions of the United States federal or state securities laws. ANZ New Zealand and ANZNIL have expressly submitted to the jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York for the purpose of any suit, action or proceeding arising out of the offering of Notes.

Incorporation by Reference

For the purpose of any issue of Notes under this Offering Memorandum which are to be consolidated and form a single Series with an existing Tranche or Series of Notes, this Offering Memorandum incorporates by reference the terms and conditions of the Notes as set out in the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated July 28, 2009, the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated December 11, 2009, the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated June 16, 2010, the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated December 10, 2010, the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated December 9, 2011, the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated June 11, 2012 or the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated March 8, 2013, as the case may be (the "**Previous Conditions**").

Any documents incorporated by reference into the Previous Conditions do not form part of this Offering Memorandum. Information contained in the documents incorporated by reference into this Offering Memorandum, which is not itself incorporated by reference, is either not relevant for investors or is covered elsewhere in this Offering Memorandum.

Copies of the documents incorporated by reference into this Offering Memorandum can be obtained during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection by eligible investors at the office of the Fiscal Agent, the London Paying Agent and the relevant Issuer and at http://www.debtinvestors.anz.com/phoenix.zhtml?c=248688&p=us-mtn-nz. Other than the Previous Conditions, no documents or text found on our or any other website are incorporated by reference into this Offering Memorandum.

Presentation of Financial Information

The ANZ New Zealand Financial Statements and the ANZNIL Financial Statements have been prepared in accordance with accounting practice generally accepted in New Zealand ("**NZ GAAP**") and do not contain a reconciliation to generally accepted accounting principles in the United States ("**U.S. GAAP**"). The ANZ New Zealand Financial Statements and the ANZNIL Financial Statements comply with the New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"), International Financial Reporting Standards ("**IFRS"**) and Interpretations adopted by the International Accounting Standards Board ("**IASB**").

Unless the context otherwise requires, references herein to "2013", when used in connection with a discussion of the ANZ New Zealand Financial Statements, means our fiscal year ended September 30, 2013. We refer to prior and subsequent fiscal years and periods in a corresponding manner.

The independent auditors of the ANZ New Zealand Financial Statements and the ANZNIL Audited Financial Statements for the 2013, 2012 and 2011 years are subject to auditing and auditor independence standards applicable in New Zealand, which differ from those applicable in the United States.

For the convenience of the reader, this Offering Memorandum contains translations of certain NZ dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the NZ dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. See "Exchange Rates".

Due to rounding, the numbers presented throughout this Offering Memorandum may not add up precisely, and percentages may not precisely reflect absolute figures.

Overview

This overview highlights information contained elsewhere in this Offering Memorandum. This overview is not complete and does not contain all of the information that you should consider before investing in the Notes. You should carefully read the entire Offering Memorandum, including the section describing the risks of investing in the Notes under the caption "Risk Factors", before making an investment decision. Some of the statements in this overview constitute forward-looking statements. For more information, please see "Forward-Looking Statements".

ANZ Bank New Zealand Limited

ANZ New Zealand was incorporated under the Companies Act 1955 of New Zealand on October 23, 1979, was re-registered under the New Zealand Companies Act 1993 on June 13, 1997 and is a private company limited by shares. The registered office of ANZ New Zealand is located at ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand and its New Zealand company number is 35976. The address of ANZ New Zealand's principal executive offices is ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand and the phone number is +64 (9) 252 2974. 6.3 11.4.1.1 11.4.1.2 11.4.1.3 11.4.1.4 13.1.1(A)

ANZ New Zealand is a registered bank under the Reserve Bank of New Zealand Act 1989 (the "**Reserve Bank Act**").

ANZ New Zealand dates back to 1840, when the Union Bank of Australia opened a branch in Wellington, New Zealand. ANZ New Zealand's ultimate parent company, ANZBGL, was formed through a series of mergers involving the Union Bank of Australia and its successors. 11.6.1 11.10.1

On December 1, 2003, ANZ Banking Group (New Zealand) Limited acquired NBNZ Holdings Limited and its consolidated subsidiaries including The National Bank of New Zealand Limited.

On June 26, 2004, ANZ Banking Group (New Zealand) Limited amalgamated with The National Bank of New Zealand Limited and changed its name to ANZ National Bank Limited. On November 30, 2009, ANZ New Zealand acquired ING Group's 51% shareholding in ING NZ, the ANZ New Zealand and ING Group wealth management and life insurance joint venture in New Zealand. As a result of the acquisition, ING NZ became a wholly-owned subsidiary of ANZ New Zealand and is now known as "ANZ Wealth".

ANZ New Zealand is the largest full-service banking group in New Zealand, according to the KPMG Financial Institutions Performance Survey Review, released by KPMG New Zealand in February 2013. On October 29, 2012, ANZ National Bank Limited changed its name to ANZ Bank New Zealand Limited and began combining its two banking brands (ANZ and The National Bank) under the ANZ brand. As at September 30, 2013, ANZ New Zealand Group had total assets of $120,438 million and held the largest market share compared to other registered banks in New Zealand in most customer segments in which they participate. 11.5.1.1 11.5.1.3

As at September 30, 2013, ANZ New Zealand held approximately 29% and the New Zealand branch of ANZBGL held approximately 2% of the total assets held by registered banks in New Zealand, based on the RBNZ Standard Statistical Return for registered banks.

Our Strategy

Our strategy is to fully leverage ANZ New Zealand's leading market position to deliver superior growth and returns.

Our strategy is underpinned by a program of initiatives and priorities including:

- Aligning services to customer needs, improving customer experience and increasing customer satisfaction while lowering cost to serve.
- Investing in our customer facing systems and technology infrastructure, simplifying processes and using data driven customer insights to improve the business.
- Continuing to manage credit risk and provisions.
- Transforming the way we deliver banking services and reducing costs, including through transforming service delivery channels and processes, by combining the ANZ and The National Bank brands into the ANZ brand.
- Optimizing profitability by targeting profitable customer segments and pricing credit appropriately for risk.

Competitive strengths

We believe our competitive strengths are as follows:

- We are New Zealand's largest bank, with more dedicated branches, ATMs and customers than any other New Zealand bank.
- We have a leading market share in New Zealand in all major business segments, a diverse business mix reflecting the makeup of the economy.
- We have multiple well-respected brands and a combined customer base of over 2 million.
- We maintain strong local corporate governance and New Zealand-based management.
- We can leverage the super-regional strategy of the ANZ Group.

Recent Developments

Change of legal names of ANZ New Zealand and ANZNIL

On October 29, 2012, ANZ National Bank Limited changed its legal name to "ANZ Bank New Zealand Limited", and ANZ National (Int'l) Limited changed its legal name to "ANZ New Zealand (Int'l) Limited".

Combination of ANZ and The National Bank brands and branch networks

On September 26, 2012, we announced that the ANZ and The National Bank brands would be combined together as ANZ and the two branch networks would be combined. To accomplish this, three programs of work have been in progress: rebranding all National Bank branches; consolidating branches that are near each other; and opening new branches in growth areas. As a result, we reduced the total number of our branches, from 310 at September 2012 to 261 at September 2013. Over the next year, we expect further restructuring of our branch network to increase coverage of our target customer base. We expect total expenditure on this restructuring process to be within our initial estimate of $100 million.

In October 2012, ANZ moved ANZ-brand customers onto The National Bank's core technology platform. The suite of products offered to customers has been consolidated.

Changes to ANZ New Zealand Executive and Board

On October 10, 2013, Mr. Mark Verbiest joined the Board as an independent Director. Mr. Verbiest is currently Chairman of Telecom Corporation of New Zealand Limited and Transpower New Zealand Limited. He is also a Director of Freightways Limited, Willis Bond Capital Partners Limited, Willis Bond General Partner Limited and a Board member of the Financial Markets Authority.

On September 30, 2013, Mr. Norman Geary, an independent non-executive Director, retired.

On September 30, 2013, Mr. Fred Ohlsson became Managing Director of Retail and Business Banking. Mr. Ohlsson was previously ANZ New Zealand's Managing Director of Business Banking. Mr. Ohlsson has taken over the running of the bank's Retail business from Ms. Kerri Thompson.

On July 1, 2013, Ms. Joan Withers joined the Board as an independent Director. Ms. Withers is Chairperson of Mighty River Power Limited, and is Deputy Chairperson of Television New Zealand.

On April 1, 2013, Mr. Bruce Macintyre became the new Chief Risk Officer of ANZ New Zealand. Mr. Macintyre replaced Ms. Jennifer Evans, who has become Chief Risk Officer, Australia Division of ANZBGL.

Canterbury Region Earthquakes

The Canterbury region of New Zealand experienced two major earthquakes three years ago as well as continuing aftershocks, some of which have been significant. The first earthquake, on September 4, 2010, measured 7.1 on the Richter scale, and caused significant damage to the city of Christchurch and surrounding towns. The second earthquake, on February 22, 2011, measured 6.3 on the Richter scale, and caused greater damage to buildings and infrastructure across Christchurch. The second earthquake also caused some loss of life.

Christchurch is New Zealand's second largest city with approximately 350,000 people and is the main commercial hub for the South Island. The cost of remediating the effects of these earthquakes has been estimated to exceed NZ$40 billion. The great majority of local government, commercial and personal customers have public (Earthquake Commission) as well as private insurance cover for the full costs of repairing or rebuilding damaged properties. The Government has appointed a commission to manage the overall reconstruction effort and has indicated it is committed to rebuilding the city.

As at September 30, 2013, ANZ New Zealand had the following lending assets in the affected area:

Retail	NZ$1,927 million
Commercial (including Business Banking customers)	NZ$3,378 million

As most property assets are insured against earthquake damage and business customers generally hold insurance cover for interruption to their business operations, ANZ New Zealand believes that credit losses directly attributable to the earthquakes will be small, due to the rate of insurance coverage, low reported rates of declined coverage, government assistance and a relatively low unemployment rate in Christchurch. This is evidenced by the small number of exposures that have required provisioning so far. Additional provisioning is expected, as some customers will be impacted by insurance shortfalls, loss of income, and continuing business disruption beyond the period covered by insurance. These impacts may not be identified for some time.

Basel III

From January 1, 2013, ANZ New Zealand's Conditions of Registration have required capital adequacy ratios for ANZ New Zealand to be calculated under Basel III, as modified to reflect New Zealand conditions, in accordance with the RBNZ document entitled "Capital adequacy framework (Internal Models Based Approach)" (BS2B). With effect from January 1, 2014, the RBNZ will require New Zealand incorporated banks, including ANZ New Zealand, to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ will also have the discretion, from January 1, 2014 to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit. We expect to meet the Basel III requirements without requiring any additional capital.

For more information, see "Regulation and Supervision — Conditions of Registration: ANZ Bank New Zealand Limited" in this Offering Memorandum.

Loan-to-Value Ratio ("LVR") Restrictions introduced by Reserve Bank

From October 1, 2013, the RBNZ requires New Zealand banks to be subject to restrictions on high loan-to-value ratio ("LVR") housing mortgage loans. Banks are required to restrict new residential mortgage lending at LVRs of over 80 percent to no more than 10 percent of the dollar value of their new housing lending flows.

For more information, see "Regulation and Supervision — Conditions of Registration: ANZ Bank New Zealand Limited" in this Offering Memorandum.

Sale of EFTPOS

On December 17, 2012, ANZ New Zealand announced it would be divesting its terminal supply and point of sale switching services through the sale of its subsidiary, EFTPOS New Zealand Limited, to VeriFone Systems, Inc. The sale was completed on May 31, 2013. ANZ New Zealand will continue to provide merchant acquiring services (as "ANZ Merchant Business Solutions").

Contingent Liabilities

In October 2012, the Commerce Commission commenced an investigation, under the Fair Trading Act 1986, into the promotion and sale of interest rate swaps by certain banks (including ANZ New Zealand) to rural customers. The investigation is ongoing and the possible outcome of the investigation cannot be determined with any certainty.

On March 11, 2013, litigation funder Litigation Lending Services (NZ) Limited announced plans for a representative action against banks in New Zealand for certain fees charged to New Zealand customers over the past six years. Proceedings were filed against ANZ New Zealand on June 25, 2013. The potential outcome of this litigation cannot be determined with any certainty at this stage. 11.11.6

Change of legal names and branding of OnePath group of companies

On September 20, 2013, OnePath Holdings (NZ) Limited changed its legal name to "ANZ Wealth New Zealand Limited" ("**ANZ Wealth**"), and the legal name of OnePath (NZ) Limited, our New Zealand investment and funds business and a subsidiary of ANZ Wealth, changed to "ANZ New Zealand Investments Limited" ("**ANZ Investments**"). The branding of our investment and funds business was also changed to the new ANZ Investments brand, from the OnePath brand. There have been no changes to the names and branding of our OnePath insurance businesses, which continue to operate under the OnePath brand.

ANZ New Zealand organizational structure

11.5.1.1
11.5.1.3

Business lines and executive team

Our business is organized into the following four major business segments: 1) Retail, 2) Commercial (comprising Business Banking, Commercial & Agri and UDC Finance Limited ("**UDC**"), a finance company providing asset finance), 3) Wealth and 4) Institutional. These segments are supported by centralized back office and corporate functions. Life insurance and fund management products are developed and procured through ANZ Wealth's group of companies, which are wholly-owned subsidiaries of ANZ New Zealand. ANZ Wealth's products are distributed through the Retail segment.

Retail

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

As at September 30, 2013, Retail had a network of 261 branches, 688 ATMs and 8 mobile ATMs. Customers have access to phone and mobile phone banking and on-line banking services.

As at September 30, 2013, Retail had total loans of $28.6 billion and total deposits of $32.1 billion.

Commercial

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

As at September 30, 2013, Commercial had loans of $53.6 billion and total deposits of $20.2 billion, with loans to Business Banking customers of $19.0 billion and total deposits of $10.8 billion and loans to Commercial & Agri and UDC customers of $34.6 billion and total deposits of $9.4 billion.

Wealth

Wealth includes private banking and investment services provided to high net worth individuals, ANZ Wealth management and insurance businesses, and other investment products.

As at September 30, 2013, Wealth businesses had total loans of $1.5 billion and total deposits of $4.7 billion.

As at September 30, 2013, funds managed by ANZ Wealth totaled approximately $8.2 billion. As at September 30, 2013, the aggregate ANZ Wealth insurance business comprised assets totaling $779 million, which is 0.6% of the total consolidated assets of the ANZ New Zealand Group.

Institutional

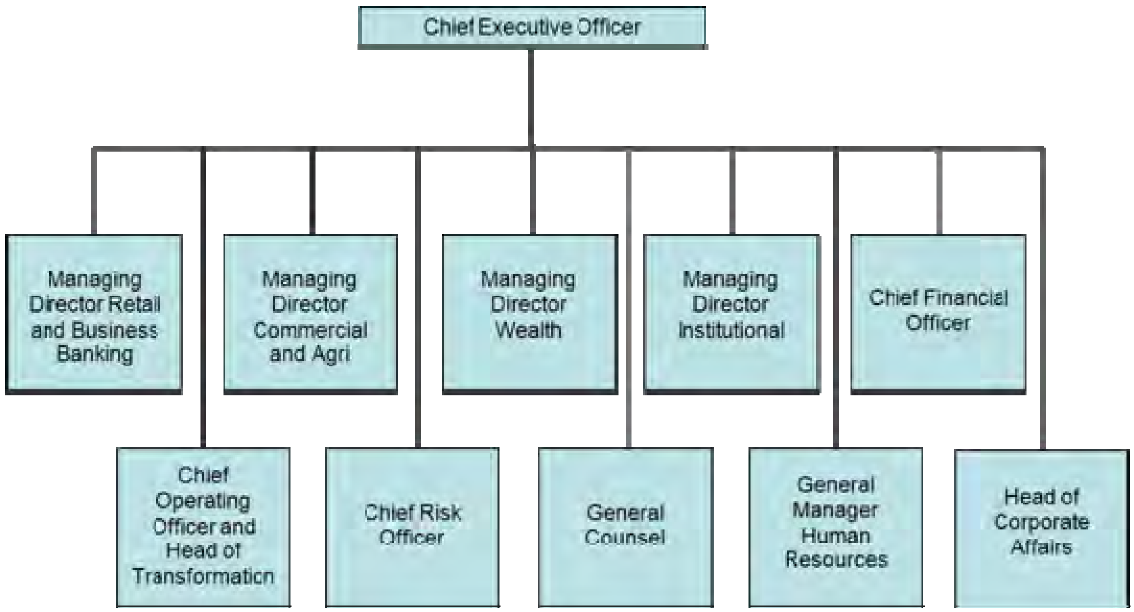
Institutional provides financial services through a number of specialized units to large multi-banked corporations, often global, who require sophisticated product and risk management solutions. Those financial services include loan structuring, foreign exchange, wholesale money market services and transaction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

As at September 30, 2013, Institutional had total loans of $6.8 billion and total deposits of $13.6 billion.

Other

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

As of the date of this Offering Memorandum, our executive team is structured as follows:



Branding Strategy

ANZ New Zealand is simplifying its brand portfolio.

The Retail, Commercial, Wealth and Institutional segments now all operate under the ANZ brand except in specialized markets.

In specialized markets, the ANZ New Zealand Group is further represented by the following brands:

- UDC (asset finance);
- Direct Broking (online share and debt instrument trading);
- ANZ Investments (superannuation and investment products);
- OnePath (insurance products); and
- Bonus Bonds.

Competition

The New Zealand financial services sector in which we operate is very concentrated and highly competitive. Our principal competitors are the three other major banks, ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary or branch of a major Australian bank. Together with ANZ New Zealand (including the New Zealand branch of ANZBGL), these banks (including the New Zealand branches of their Australian bank parents) held approximately 87% of the New Zealand banking system's assets as at June 30, 2013 and participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. The New Zealand Government owned Kiwibank Limited is active in retail segments and Rabobank New Zealand Limited is active in retail and agricultural lending markets. International banks such as Citigroup, The Hong Kong and Shanghai Banking Corporation and Deutsche Bank participate in a limited manner in the institutional market. GE Money competes in the point of sale consumer finance and credit card market.

Competition in the financial services sector can be intense and difficult to predict. Competition in the deposit market has increased rapidly in New Zealand, with banks attempting to grow their share of retail deposits and reduce their wholesale funding. Lending to the residential mortgage market accounts for over half of the lending in New Zealand by registered banks and this market is a key area of competition.

Outside the banking sector, a number of smaller finance companies in New Zealand are active in the personal and business markets through competitive lending and deposit product offerings, especially in the personal and commercial property segments, although their number has fallen in recent years. The non-banking sector constitutes approximately 2.8% of total financial system assets as at September 30, 2013.

Significant Subsidiaries

11.6.1

The significant subsidiaries of ANZ New Zealand are as follows:

- ANZNIL;
- ANZ Wealth; and
- UDC.

Each of the subsidiaries listed above is incorporated in New Zealand and is 100% owned directly by ANZ New Zealand.

The subsidiaries listed above are either subsidiaries that, as at September 30, 2013, account for 10% or more of any of ANZ New Zealand's investments, operating surplus or assets for the most recent fiscal period or are considered by management to be of importance to ANZ New Zealand. As at September 30, 2013, ANZNIL accounts for more than 10% of ANZ New Zealand's consolidated total liabilities. UDC represents one of the non-bank brands of the ANZ New Zealand Group in New Zealand. Of the 52,352,000 ordinary shares issued by UDC, 31,600,000 ordinary shares are unpaid as to $1.00 per share.

Employees

As at September 30, 2013, we employed 7,949 core full-time equivalent employees, consisting of 7,017 people employed on a full-time basis, 756 people employed on a part-time basis, and 176 people on fixed-term contracts. In addition, we had a further 144 full-time equivalent employees employed on a casual basis and 190 independent contractors and temporary staff.

	As at September 30,				
	2013	2012	2011	2010	2009
Number of core full-time equivalent employees[1]	**7,949**	8,571	8,882	8,908	8,513

(1) All employees are located in New Zealand except for one employee located in ANZNIL's London branch. Core full-time equivalent employees include employees that are employed on a full-time basis, part-time basis or that are on a fixed term contract, but does not include casual employees or independent contractors.

Our core full-time equivalent employees declined from 8,571 as at September 30, 2012 to 7,949 as at September 30, 2013.

The key factors in the reduction of the core full-time equivalent employees were:

- wind down during 2013 of the project moving from two core banking systems and two brands to one system and one brand;
- simplification of the business (elimination of duplication, single product suite and policies) has reduced the staffing at the head office necessary to support the business; and
- the continued transaction migration from "over the counter" to digital channels.

We consider our relations with our employees to be satisfactory.

ANZ New Zealand's collective employment agreement with FirstUnion (formerly known as Finsec (New Zealand's financial sector union)) was renewed for a further two year term commencing on August 1, 2012 and expiring on July 31, 2014. ANZ New Zealand is not involved in any significant labor disputes with any of its employees.

Properties

We operate from a substantial number of properties, both freehold and leasehold, throughout New Zealand. As of the date of this Offering Memorandum, our freehold portfolio consisted of 46 properties including head office buildings, residences, carparks and a data center. Our most valuable freehold properties are Lady Ruby Drive Data Centre (Auckland), 170 Featherston Street (Wellington) and 1 Victoria Street (Wellington).

As of the date of this Offering Memorandum, we lease approximately 653 properties including branches, offices, carparks, a data center and standalone ATM sites. We believe that all of our property, both freehold and leasehold, is well maintained and adequately insured.

ANZ New Zealand (Int'l) Limited

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9.1.1
9.4.1.1
9.4.1.2
9.4.1.3
9.4.1.4
9.5.1.1
9.6.1
9.6.2
9.10.1
13.1.1(A)

ANZNIL was incorporated under the Companies Act 1955 of New Zealand on December 8, 1986, was re-registered under the Companies Act 1993 of New Zealand on May 27, 1996, and is a wholly owned subsidiary of ANZ New Zealand. The registered office of ANZNIL is at ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand and its New Zealand company number is 328154. ANZNIL's London branch is located at 28th Floor, 40 Bank Street, Canary Wharf, London E14 5EJ, United Kingdom and the phone number is +44 (20) 3229 2017.

The principal activities of ANZNIL include the provision of funding facilities to the ANZ New Zealand Group and wholesale financing, including issuance of U.S. Commercial Paper, Euro-Commercial Paper, Covered Bonds, U.S. Medium-Term Notes and Euro Medium-Term Notes.

ANZNIL's overseas activities (including the issue of Notes) are currently conducted through its London branch. ANZNIL has no subsidiary companies.

Overview of Terms

The Issuers	ANZ New Zealand and ANZNIL.	
The Guarantor	ANZ New Zealand in the case of ANZNIL Notes.	
The Agents	J.P. Morgan Securities LLC ANZ Securities, Inc. Barclays Capital Inc. Citigroup Global Markets Inc. Deutsche Bank Securities Inc. Goldman, Sachs & Co. HSBC Securities (USA) Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. LLC Wells Fargo Securities, LLC Any other agents appointed in accordance with the terms of the Distribution Agreement.	
Terms of the Notes and Guarantee	The Notes, which may be issued at their principal amount or at a premium to or discount from their principal amount, on an unsubordinated basis, may bear interest at a fixed or floating rate or be issued on a fully discounted basis and not bear interest. The interest rate or interest rate formula, if any, issue price, currency, terms of redemption or repayment, if any, and stated maturity will be established for each Note by the Issuer thereof at the issuance of such Note and will be indicated in the relevant Final Terms. The ANZNIL Notes issued by ANZNIL will be unconditionally and irrevocably guaranteed by ANZ New Zealand as described in "Description of the Notes and the Guarantee".	6.1 6.2
Method of distribution	The Notes are being offered from time to time by the Issuers through the Agents. The Issuers may also sell Notes to the Agents acting as principals for resale in the United States to QIBs and outside the United States to individuals that are not U.S. persons (as defined in Regulation S) and may sell Notes directly on their own behalf. See "Notice to Purchasers" and "Plan of Distribution".	
Maximum amount	The aggregate principal amount (or, in the case of Notes issued at a discount from the principal amount, the aggregate initial offering price) of Notes outstanding at any time shall not exceed US$10,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes. The Issuers may increase this amount from time to time in accordance with the terms of the Distribution Agreement.	13.4.1(C)
Status of the Notes	The Notes will be direct, unsecured and general obligations of the relevant Issuer and will rank equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer (other than any obligation preferred by mandatory provisions of applicable law).	13.4.6(A)
Status of the Guarantee	The Guarantee of ANZ New Zealand with respect to ANZNIL Notes issued by ANZNIL will be a direct, unsecured and general obligation of ANZ New Zealand and will rank equally with all other present and future unsecured and unsubordinated obligations of ANZ New Zealand (other than any obligation preferred by mandatory provisions of applicable law).	13.4.7(B)

Maturities..	Such maturities as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the relevant Final Terms as the Stated Maturity), subject to such minimum or maximum term as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency (as defined herein). At the date of this Offering Memorandum, the minimum term of all Notes is one year. There is no maximum stated term.	13.4.9(i)(C)
Currency	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the relevant Final Terms). See "Description of the Notes and the Guarantee — Currency of Notes".	13.4.5(C)
Denomination and form..............................	The Notes will be issued in fully registered form in minimum denominations of US$200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such Specified Currency, rounded down to the nearest 1,000 units of such foreign currency) and integral multiples of US$1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such Specified Currency) in excess thereof. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum denomination at the issue date shall be no less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes). Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global Notes (each, a "**Rule 144A Global Note**") registered in the name of a nominee of DTC. Notes sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more global Notes (each, a "**Regulation S Global Note**" and, together with the Rule 144A Global Notes, the "**Global Notes**") registered in the name of a nominee of DTC. Definitive Notes will only be issued in limited circumstances. See "Legal Ownership and Book-Entry Issuance — Special considerations for Global Notes".	13.4.2(i)(B) 13.4.4(i)(A)
Interest rates...	Interest bearing Notes may be issued either as Fixed Rate Notes or Floating Rate Notes (each, as defined herein). Fixed Rate Notes will bear interest at the rate specified in the relevant Final Terms. Floating Rate Notes will bear interest based on an interest rate formula designated in the relevant Final Terms, which formula shall be one of: the Commercial Paper Rate, the Prime Rate, the CD Rate, the Federal Funds Rate, LIBOR, EURIBOR, the Treasury Rate, the CMT Rate, the New Zealand Bank Bill Rate, the Australian Bank Bill Rate, the Eleventh District Cost of Funds Rate. The interest rate on each Floating Rate Note will be calculated by reference to the specified interest rate (a) plus or minus the Spread (as defined herein), if any, and/or (b) multiplied by the Spread Multiplier (as defined herein), if any. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both or neither.	13.4.8(C)
Interest payment dates..............................	Interest on Fixed Rate Notes will be payable annually or semiannually on the date or dates set forth in the relevant Final Terms, and at maturity, and interest on Floating Rate Notes will be payable quarterly on the dates set forth in the relevant Final Terms and at maturity.	

Redemption and repurchase .... The relevant Final Terms will indicate either that such Notes cannot be redeemed prior to their stated maturity (other than for certain taxation reasons) or that such Notes will be redeemable at the option of the relevant Issuer upon giving not more than 60 days written notice nor less than 30 days written notice to the holders of such Notes on a date or dates specified prior to such stated maturity and at a price or prices as are indicated in the relevant Final Terms.

The relevant Final Terms will indicate either that such Notes cannot be repurchased prior to their stated maturity or that the Notes will be repurchasable at the option of the holders of such Notes on a date or dates specified prior to the stated maturity upon giving no more than 45 days nor less than 30 days written prior notice to the Fiscal Agent.

Redemption for taxation reasons .... The Notes may be redeemed at the option of the relevant Issuer, in whole but not in part, at the principal amount thereof plus accrued and unpaid interest in certain circumstances in which the relevant Issuer or, in the case of ANZNIL Notes, the Guarantor, would become obligated to pay additional amounts. See "Description of the Notes and the Guarantee — Payment of additional amounts" and "— Redemption for taxation reasons".

Zero Coupon Notes .... Zero Coupon Notes will be offered and sold at a discount to their principal amounts and will not bear interest.

Original Issue Discount Notes .... An Original Issue Discount Note will be issued at a price lower than its principal amount and will provide that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable (as specified in the relevant Final Terms).

Taxation .... All payments in respect of the Notes and the Guarantee will be made without deduction for or on account of withholding taxes imposed within New Zealand or the United Kingdom, except as described under "Description of the Notes and the Guarantee — Payment of additional amounts". For a discussion of certain tax considerations, see "Taxes".

Rating .... The Notes when issued, will be rated Aa3 by Moody's, AA- by S&P and AA- by Fitch. 13.7.5(C)

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

Fiscal Agent .... The Bank of New York Mellon.

Paying Agent .... The Bank of New York Mellon.

Listing .... The Notes will be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market. 13.5.1(i)(B)

Transfer Restrictions .... There are selling restrictions in relation to the United States, the United Kingdom, New Zealand, the European Economic Area, Japan, Hong Kong and such other jurisdictions as may be required in connection with the offering and sale of a Tranche as set forth in the relevant Final Terms. See "Plan of Distribution". 13.4.14(A)

Governing Law	New York, except as to authorization and execution by ANZ New Zealand and ANZNIL of the Notes, the Guarantee and the Fiscal Agency Agreement, which are governed by the laws of New Zealand.	13.4.3(A)
Risk Factors	Prospective purchasers of the Notes should consider carefully all of the information set forth in this Offering Memorandum and, in particular, the information set forth under the caption "Risk Factors" in this Offering Memorandum before making an investment in the Notes.	

Selected Consolidated Financial Information

The consolidated balance sheet information of the ANZ New Zealand Group as at September 30, 2013, 2012, 2011, 2010 and 2009 and the income statement data for the fiscal years ended September 30, 2013, 2012, 2011, 2010 and 2009 have been taken from the ANZ New Zealand Group's audited consolidated financial statements for the years ended September 30, 2013, 2012, 2011, 2010 and 2009. The financial information contained in this Offering Memorandum should be read in conjunction with, and is qualified by reference to, the ANZ New Zealand Financial Statements.

For additional information concerning our financial results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Memorandum and the Disclosure Statements.

The ANZ New Zealand Financial Statements and the financial information included herein are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"). The ANZ New Zealand Group Financial Statements comply with International Financial Reporting Standards ("**IFRS**"). IFRS differs in certain significant respects from U.S. GAAP.

Summary consolidated income statement

NZ$ millions (unless otherwise stated)					Year ended September 30,	
	2013 **US$ millions**[1]	**2013**	2012	2011	2010	2009
Interest income	**4,958**	**5,957**	6,017	6,179	5,876	7,345
Interest expense	**2,783**	**3,344**	3,335	3,620	3,457	4,892
Net interest income	**2,175**	**2,613**	2,682	2,559	2,419	2,453
Other operating income	**685**	**823**	1,006	856	744	663
Net operating income	**2,860**	**3,436**	3,688	3,415	3,163	3,116
Operating expenses	**1,254**	**1,507**	1,742	1,686	1,565	1,477
Profit before provision for credit impairment and income tax	**1,606**	**1,929**	1,946	1,729	1,598	1,639
Provision for credit impairment	**52**	**63**	193	178	436	874
Profit before income tax	**1,553**	**1,866**	1,753	1,551	1,162	765
Income tax expense	**409**	**492**	428	452	335	467
Profit after income tax	**1,144**	**1,374**	1,325	1,099	827	298

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(1) For the convenience of the reader, the financial data for the year ended September 30, 2013 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2013 of NZ$1.00=US$0.8323.

Summary consolidated balance sheet

NZ$ millions (unless otherwise stated)	2013 US$ millions[1]	2013	2012	2011 [2,3]	2010 [2,3]	2009 [2,3]
						As at September 30,
Assets						
Liquid assets	**2,077**	**2,496**	2,831	2,455	2,238	2,762
Due from other financial institutions	**1,307**	**1,570**	1,722	4,629	3,496	4,514
Trading securities	**8,589**	**10,320**	12,338	9,466	6,757	4,166
Derivative financial instruments	**7,922**	**9,518**	12,753	15,635	10,367	11,408
Current tax assets	**-**	**-**	15	-	25	65
Available-for-sale assets	**651**	**782**	57	411	2,151	1,513
Net loans and advances	**75,314**	**90,489**	86,678	83,610	85,913	88,259
Investments backing insurance policyholder liabilities	**143**	**172**	142	97	87	-
Insurance policy assets[2]	**332**	**399**	408	200	138	-
Due from Immediate Parent Company	**-**	**-**	-	-	6	-
Shares in associates and jointly controlled entities	**82**	**98**	99	100	144	464
Other assets	**608**	**731**	592	863	965	1,137
Deferred tax assets	**32**	**39**	93	139	312	-
Premises and equipment	**313**	**376**	323	325	311	278
Goodwill and other intangibles	**2,870**	**3,448**	3,505	3,510	3,548	3,325
Total assets	**100,241**	**120,438**	121,556	121,440	116,458	117,891
Liabilities						
Due to other financial institutions	**1,263**	**1,517**	1,759	3,711	1,819	3,725
Deposits and other borrowings	**64,667**	**77,697**	73,652	69,238	70,295	71,764
Due to Immediate Parent Company	**782**	**939**	740	174	-	930
Derivative financial instruments	**8,525**	**10,243**	13,930	15,118	10,715	10,762
Payables and other liabilities[2]	**1,419**	**1,705**	1,792	2,654	1,700	1,809
Current tax liabilities	**2**	**3**	-	17	-	-
Deferred tax liabilities	**-**	**-**	-	-	-	17
Provisions	**191**	**229**	339	309	315	283
Bonds and notes	**12,896**	**15,494**	17,244	17,406	18,761	15,917
Loan capital	**952**	**1,144**	1,168	1,988	2,407	2,596
Total liabilities	**90,697**	**108,971**	110,624	110,615	106,012	107,803
Net assets	**9,544**	**11,467**	10,932	10,825	10,446	10,088
Equity						
Share capital	**6,028**	**7,243**	6,943	6,943	6,943	6,943
Reserves	**20**	**24**	138	187	160	48
Retained earnings	**3,496**	**4,200**	3,851	3,695	3,342	3,097
Non-controlling interests	**-**	**-**	-	-	1	-
Total equity	**9,544**	**11,467**	10,932	10,825	10,446	10,088

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(1) For the convenience of the reader, the financial data for the year ended September 30, 2013 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2013 of NZ$1.00=US$0.8323.

(2) Certain amounts in the September 30, 2012 comparative information have been reclassified to ensure consistency with the 2013 presentation. As at September 30, 2012 $107 million was added to both assets and liabilities. As a result of this reclassification, the total assets and liabilities for 2011, 2010 and 2009 are not comparable to those items for 2013 and 2012.

(3) In years prior to the year ended September 30, 2012, collateral received and paid on derivative financial instruments was netted against derivative financial instruments assets and liabilities respectively. For the year ended September 30, 2012 these amounts were reclassified to amounts due to and from financial institutions respectively, to reflect more accurately the nature of these balances. Comparative data as at September 30, 2011 has been restated accordingly. As at September 30, 2011 collateral received of $1,475 million was reclassified from derivative financial instrument assets to due to other financial institutions and collateral paid of $944 million was reclassified from derivative financial instrument liabilities to due from other financial institutions. As a result of this reclassification, due from financial institutions, derivative financial instrument assets, total assets, due to financial institutions, derivative financial instrument liabilities and total liabilities for 2010, 2009 are not comparable to those items for 2013, 2012 and 2011.

Other financial data

	2013 US$	2013	2012	2011	2010	2009
				Year ended September 30,		
Share information (NZ$ per fully paid share)[1]						
Dividend-declared rate	**0.52**	**0.63**	0.68	0.41	0.35	0.59
Earnings - basic	**0.67**	**0.81**	0.78	0.65	0.49	0.18
Net tangible assets - basic	**3.93**	**4.72**	4.37	4.30	4.06	3.98
Number of shares on issue (thousands)[1]						
Ordinary shares - fully paid	**1,700,105**	**1,700,105**	1,700,105	1,700,105	1,700,105	1,700,105
Preference shares[2]	**300,000**	**300,000**	-	-	-	-
Ratios[3]						
Return on average shareholders equity (%)	**12.21**	**12.21**	11.92	10.34	8.05	3.00
Return on average total assets (%)	**1.13**	**1.13**	1.08	0.96	0.71	0.25
Ratio of earnings to fixed charges[4]	**55.34**	**55.34**	52.12	42.52	33.35	15.55
Capital adequacy ratio (%)	**12.41**	**12.41**	12.48	12.74	13.11	12.67
Other banking data:						
Capital adequacy ratios [5]						
Tier 1 (%)	**10.84**	**10.84**	10.80	10.02	9.68	9.03
Tier 2 (%)	**1.57**	**1.57**	1.68	2.72	3.43	3.64
Total (%)	**12.41**	**12.41**	12.48	12.74	13.11	12.67
Net interest margin (%)[6,10]	**2.46**	**2.46**	2.62	2.57	2.43	2.34
Net interest spread (%)[7,10]	**2.04**	**2.04**	2.12	2.11	2.00	1.88
Cost to income ratio (%)[8]	**43.86**	**43.86**	47.23	49.37	49.48	47.40
Risk-weighted exposures (NZ$ millions)[5]	**60,086**	**72,193**	67,130	70,837	68,779	71,401
Return on average risk-weighted exposures ratio (%)[9]	**1.96**	**1.96**	1.93	1.57	1.18	0.40
Other information						
Points of representation (branches)	**261**	**261**	315	314	315	329
Number of core full-time equivalent employees[10]	**7,949**	**7,949**	8,571	8,882	8,908	8,513

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(1) All shares of ANZ New Zealand Limited are owned by ANZ Holdings (New Zealand) Limited, a wholly-owned subsidiary of ANZBGL.

(2) On September 25, 2013, ANZ New Zealand issued preference shares to ANZ Holdings (New Zealand) Limited. These preference shares do not carry any voting rights. They are wholly classified as equity instruments, as there is no contractual obligation for ANZ New Zealand to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavorable basis.

(3) Where applicable, ratios calculated using average balances have been referenced to the table "Average balance sheet and interest income/expense" on page 70 of this Offering Memorandum, unless otherwise stated, and the methodology for calculating average balances is included in that table.

(4) For the purpose of computing this ratio, earnings consist of operating profit before income tax and outside equity interests. Fixed charges consist of interest costs plus one-third of minimum rental payments under operating leases (estimated by management to be the interest factor of such rentals). The ratio is expressed as earnings divided by fixed charges.

(5) The RBNZ sets minimum capital requirements that ANZ New Zealand must comply with. From January 1, 2013, ANZ New Zealand has been required to comply with the RBNZ's Basel III requirements. The capital adequacy ratios and risk weighted exposures as at September 30, 2013 in the above table have been calculated under the Basel III framework, utilizing the internal ratings based approach. The comparative capital adequacy and risk weighted exposures for the other periods presented in the table have been calculated under the Basel II framework, and are not directly comparable to these items for September 30, 2013.

(6) Net interest income divided by average interest earning assets.

(7) The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.

(8) Operating expenses of the banking business divided by total income from ordinary banking activities.

(9) Banking operating profit after tax divided by average risk weighted exposures. Averages are based on quarterly balances. The ratio is annualized.

(10) All employees are located in New Zealand except for one employee located in ANZNIL's London branch. Core full-time equivalent employees include employees that are employed on a full-time basis, part-time basis or that are on a fixed term contract but does not include casual employees or independent contractors.

Risk Factors

9.3.1
11.3.1
13.2(A)

Any investment in the Notes will involve risks including, without limitation, those described in this section. All material risks that have been identified by us are included in this section. You should carefully consider the following discussion of the risk factors and the other information in this Offering Memorandum and any applicable Final Terms or other supplement and consult your own financial and legal advisers about the risks associated with the Notes including or incorporated by reference before deciding whether an investment in the Notes is suitable for you.

You should be aware that the risks set forth below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, may also become important factors that affect us.

If any of the listed or unlisted risks actually occurs, our business, operations, financial condition or reputation could be materially adversely affected, with the result that the trading price of the Notes could decline and you could lose all or part of your investment.

As at the date of this Offering Memorandum, we believe that the following risk factors may affect our ability to fulfill our obligations under the Notes and could be material for the purpose of assessing the market risks associated with the Notes. If any of the following factors actually occurs, the trading price of the Notes could fall and investors may lose the value of their entire investment or part of it. These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingencies occurring.

Risks relating to our business

Adverse credit, currency and capital market conditions may significantly affect our ability to meet liquidity needs, adversely affect our access to international capital markets and increase our cost of funding.

The global financial crisis in 2008 and 2009 saw a sudden and prolonged dislocation in credit and capital markets, a contraction in global economic activity and the creation of many challenges for financial services institutions worldwide that still persist. More recently, sovereign risk in Europe and its potential impact on the European Union, the euro and financial institutions in Europe and globally has emerged as a significant risk to the recovery prospects of the global economy. The market is currently characterized by volatile credit spreads, volatile liquidity conditions and a weak economic environment. These conditions have also adversely affected our ability to raise medium/long-term funding in the international capital markets from time to time.

We rely on credit and capital markets for funding our business. Continued or increased instability in these market conditions may limit our ability to replace, in a timely manner, maturing liabilities and access the capital necessary to fund and grow our business.

In the event that our current sources of funding prove to be insufficient, we may be forced to seek alternative financing. The availability of such alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, our credit ratings and credit capacity. The cost of these alternatives may be more expensive or on unfavorable terms, which could materially and adversely affect our results of operations, liquidity, capital resources and financial condition.

If we are unable to source appropriate funding, we may be forced to reduce our lending or begin to sell liquid securities. There is no assurance that we can obtain favorable prices on some or all of the securities we offer for sale. The credit, currency and capital market conditions could limit our ability to refinance maturing liabilities. Such actions could materially and adversely impact our business, results of operations, liquidity, capital resources and financial condition.

Changes in general business and economic conditions in New Zealand may adversely impact our results and we can give no assurance as to the likely future state of such conditions.

General business and economic conditions are a key consideration in assessing the risk of loss arising from the inability to adapt cost structures, products, pricing, or activities in response to lower than expected revenues, or higher than expected costs, caused by an unexpected adverse change in the economy and general business conditions or operating environment.

As we conduct substantially all of our lending business in New Zealand, our performance is influenced by economic conditions in New Zealand, including the level and cyclical nature of business activity, which in turn is affected by both domestic and international economic and political events. The New Zealand economy contracted sharply in 2008 and the first quarter of 2009. Since then, economic growth has been positive although economic conditions in New Zealand remain difficult. A material downturn in the New Zealand economy could materially and adversely impact our results of operations, liquidity, capital resources and financial condition.

Economic and political factors and events in New Zealand which can adversely affect our performance and results include, but are not limited to, short-term and long-term interest rates, inflation, monetary supply, commodities volatility and results, fluctuations in both debt and equity capital markets, relative changes in foreign exchange rates, consumer confidence, the overall level of indebtedness of the economy and the relative strength of the New Zealand economy. For example, a general economic downturn, a fall in the housing market or the rural property market (including a decline in housing or rural property prices), a continued decrease in immigration, a continued increase in unemployment, or other events that negatively affect household or corporate incomes in New Zealand could decrease our asset values and the demand for our loan and non-loan products and services and increase the number of customers who fail to pay interest or repay principal on their loans.

New Zealand economic conditions may also be affected by geopolitical instability, including, among other factors, actual or potential conflict and terrorism. Our future performance may also be affected by the economic conditions of other regions with economic connections to New Zealand (in particular, New Zealand's major trading partners such as Australia or China).

In addition, an appreciation in the New Zealand dollar relative to other currencies could negatively impact New Zealand's agricultural exports and international tourism, whereas a depreciation would increase foreign debt service obligations.

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the ANZ New Zealand Group's business, operations and financial condition. See also "Risk Factors – We are exposed to the impacts on property values and on future levels of insurance and reinsurance coverage across New Zealand following Canterbury region earthquakes".

Competition may adversely impact our results.

The financial services sector in New Zealand is highly competitive, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods and increased diversification of products by competitors and regulated changes in the rules governing the operations of banks and non-bank competitors. For example, in New Zealand non-banks are able to offer products and services traditionally provided by banks, such as automatic payment systems, mortgages, and credit cards. In addition, banks organized in jurisdictions outside New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Competition in the financial services sector can be intense and difficult to predict. Currently there is significant competition for customer deposits and residential secured mortgages among New Zealand banks. This is likely to continue as banks seek to diversify their sources of funding and drive asset growth.

The effect of the competitive market conditions in which we operate may have a material adverse effect on our financial performance and position including market share or margins. For example, increasing competition for customers can lead to a compression in our net interest margin, or increased advertising and related expenses to attract and retain customers.

We are subject to credit risk, which may adversely impact our results.

As a financial institution, we are exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause customers or counterparties to experience adverse financial consequences, thereby exposing us to the increased risk that those customers or counterparties will fail to meet their obligations in accordance with agreed terms. We hold provisions to cover credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate or if we fail to identify factors properly or fail to estimate accurately the impact of factors that are identified, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on our financial performance.

Recent periods saw an increase in impairment expenses as a consequence of the weaker domestic and global economic environment. New Zealand is now experiencing an on-going, albeit uneven, economic recovery. This resulted in a reduction in individual provision charges in 2012 and 2013 compared to the three previous years. Trading conditions, however, remain challenging for a number of commercial businesses and asset valuations in some areas, including rural and commercial property, remain uncertain due to low turnover and an uncertain business environment. The Canterbury earthquakes have thus far had limited impact on credit provisions as at September 30, 2013.

In addition, in assessing whether to extend credit or enter into other transactions with customers and counterparties, we rely on information provided by or on behalf of customers or counterparties, including financial statements and other financial information. We may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Our financial performance could be negatively impacted to the extent we rely on information that is inaccurate or materially misleading.

We are subject to the risk of combining the ANZ brand and The National Bank brand into the ANZ brand and moving ANZ customers to The National Bank's core technology system.

The initial phase of the integration of ANZ and The National Bank brands has been completed. However, there is still a risk that the discontinuation of The National Bank brand and the simplification of the suite of products offered could result in customers leaving ANZ New Zealand due to, among other things: dissatisfaction with the products now offered under the combined ANZ brand; preference for another bank's brand over the ANZ brand by The National Bank customers; and targeted advertising and product pricing by competitors. ANZ brand customers may find changes to the core technology system and products do not meet their needs and leave the bank. We may suffer customer defections due to customers experiencing longer handling times while some frontline staff become proficient using the new technology system. These risks mean that we may experience delays in realizing the expected benefits of moving to one brand and one technology system, and may, in fact, lose customers and market share. As at September 30, 2013, we have not seen a material reduction in customers or market share.

Sovereign risk may destabilize global financial markets adversely affecting all participants, including ANZ.

Sovereign risk, or the risk that foreign governments will default on their debt obligations or be unable to refinance their debts as they fall due, has emerged as a risk to the recovery prospects of global economies. This risk has been particularly relevant to a number of European countries, though it has not been limited to these countries. The sovereign debt crisis in some European countries could have serious implications for the European Union and the euro. Should there be a cascading effect from one country to other markets and countries, the consequences, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis. Such an event could destabilize global financial markets adversely affecting all participants, including ANZ New Zealand. It is not certain whether financial support packages from governments or supranational entities to countries at risk of default will achieve their intended effects.

There can be no assurance that actions of governments and other governmental and regulatory bodies to stabilize financial markets will achieve the intended effect.

The success of stabilizing actions announced by governments and regulatory bodies in response to financial crises affecting the banking system and financial markets generally is uncertain. There can be no assurance as to what impact such actions will have on financial markets, consumer and investor confidence, or market volatility. Declines in consumer and investor confidence and further uncertainty and volatility could materially and adversely affect our business, funding, financial condition and results of operations.

Failure to maintain our credit ratings and those of our subsidiaries could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

The credit ratings assigned to us and our subsidiaries by rating agencies are based on an evaluation of a number of factors, including our ability to maintain a stable earnings stream, capital ratios, credit quality and risk management controls, funding sources, and liquidity monitoring procedures. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events. In addition, a reduction in New Zealand's sovereign credit rating could adversely affect our credit rating.

The downgrade of ANZBGL's credit rating could adversely affect our credit rating.

If we fail to maintain our current credit ratings, this could adversely affect our cost of funds and related margins, our liquidity, our competitive position, existing contractual relations, the willingness of counterparties to transact with us and our ability to access capital markets. It could also trigger our obligations under certain bilateral provisions in some of our trading and collateralized financing contracts.

Credit ratings may be revised, withdrawn or suspended by the relevant credit rating agency at any time. Ratings agencies may revise their methodologies in response to legal or regulatory changes or other market and industry developments. Credit ratings are not a recommendation by the relevant rating agency to invest in securities we offer.

A weakening of the real estate market in New Zealand would adversely affect us.

Residential and rural property lending, together with property finance, including real estate development and investment property finance, are important to our business. As at September 30, 2013, residential loans represented approximately 54% of our gross loans and advances. During 2008 and early 2009 there was a marked softening in the New Zealand housing market. Housing values have improved since that time and average prices are now above the 2007 peak. Prices have increased rapidly in Auckland and Christchurch compared to the rest of the country, as a result of stronger demand and supply constraints in both areas. Housing sales volumes nationally have grown steadily over the past 12 months but remain lower than during the 2007 peak, due to the smaller than average number of listings. Prices in the rural market have also recovered. While farm sales volumes are recovering from recent lows, farm prices remain below the peak levels seen in 2008.

A decrease in property valuations in New Zealand could adversely affect financial stability generally, decrease the amount of new mortgages we are able to write and increase the losses we may experience from our existing mortgages, which could materially and adversely affect our financial condition and result of operations.

An increase in the failure of third parties to honor their commitments in connection with our trading, lending, derivatives and other activities may adversely affect our results.

We are exposed to the potential risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honor its contractual obligations. As with any financial services organization we assume counterparty risk in connection with our lending, trading, derivatives and other businesses where we rely on the ability of a third party to satisfy its financial obligations to us on a timely basis. We are also subject to the risk that our rights against third parties may not be enforceable in certain circumstances.

There is a risk that subsequent events will not be the same as assumed in our original assessment of the ability of a third party to satisfy its obligations. Such credit exposure may also be increased by a number of factors including declines in the financial condition of the counterparty, the value of any assets we hold as collateral and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether.

To the extent our credit exposure increases, the increase could have an adverse effect on our business and profitability if material unexpected credit losses occur.

We are subject to operational risk, which may adversely impact our results.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

Loss from operational risk events could adversely affect ANZ New Zealand's financial results. Such losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputational loss, loss of life or injury to people, and loss of property and/or information.

Operational risk is typically classified into the risk event type categories to measure and compare risks on a consistent basis. For examples of operational risk events, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Operational Risk".

Direct or indirect losses that occur as a result of operational failures, breakdowns, omissions or unplanned events could adversely affect ANZ New Zealand's financial results.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either of the Issuers or the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List.

We are subject to market risk (including foreign exchange risk) and liquidity risk, which may adversely impact our results through exposure to trading positions and management of financial positions.

Market risk relates to the risk of loss arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices, prices of commodities, debt securities and other financial contracts including derivatives. Losses arising from these risks may have a material adverse effect on us.

We are also exposed to liquidity risk, which is the risk that we are unable to raise funds or have insufficient funds or there are unforeseen demands on cash and as a result, we are unable to meet our payment obligations as they fall due, including obligations to repay deposits and maturing wholesale and customer debt.

Reduced liquidity could also lead to an increase in cost of our borrowings and possibly constrain the volume of new lending, which in each case could adversely affect our profitability.

As we conduct business in several different currencies, although mainly New Zealand dollars, our businesses may be affected by a change in currency exchange rates. Additionally, as our financial statements are prepared and stated in New Zealand dollars any appreciation in the New Zealand dollar against other currencies in which we earn revenues may adversely affect our reported earnings.

The appreciation in the New Zealand dollar relative to other currencies has adversely affected, and could continue to have an adverse effect on, certain portions of the New Zealand economy, including agricultural exports, international tourism, manufacturers, and import-competing producers. Similarly, depreciation in the New Zealand dollar relative to other currencies would increase debt service obligations in New Zealand dollar terms of unhedged exposures.

Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt our business.

We are highly dependent on information systems and technology and there is a risk that these, or the services they use or are dependent on, might fail. Most of our daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data center infrastructure, the inadequacy of internal third-party information technology systems due to, among other things, failure to keep pace with industry developments, unauthorized access or use and the capacity of the existing systems to effectively accommodate planned growth and integrate existing and future acquisitions and alliances.

To manage some of these risks we have disaster recovery and information technology governance security practices and security in place. However, any failure in these systems could result in business interruption, the loss of customers, financial compensation, damaged reputation and weakening of our competitive position and could adversely impact our business and have a material adverse effect on our financial condition and operations.

In addition, we have an on-going need to update and implement new information technology systems, in part to assist us with satisfying regulatory demands, ensuring information security, enhancing computer-based banking services for our customers and integrating the various segments of our business. We may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in our ability to comply with regulatory requirements, failure of information security controls or a decrease in our ability to enchance services to our customers. We rely on ANZBGL to provide a number of information technology systems and any failure of ANZBGL systems could directly affect ANZ New Zealand.

ANZ New Zealand is exposed to risks associated with information security, which may adversely affect its financial results and reputation.

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a financial institution, ANZ New Zealand handles a considerable amount of personal and confidential information about its customers and its own internal operations.

ANZ New Zealand employs a team of information security subject matter experts who are responsible for the implementation of the ANZ Group's Information Security Policy. ANZ New Zealand is conscious that threats to information security are continuously evolving and as such ANZ New Zealand conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated, and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorized use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action, and claims for compensation or erosion to our competitive market position, which could adversely affect ANZ New Zealand's financial position and reputation.

Litigation and contingent liabilities may adversely impact our results.

We are subject to litigation, regulatory actions and contingent liabilities, which, if they crystallize, may adversely impact our results. While legal advice has been obtained and provisions as we have deemed necessary have been made and disclosed in the 2013 Disclosure Statement, there is a risk that these contingencies may be larger than anticipated or that additional litigation or other contingent liabilities will arise. Our current material contingent liabilities are described in "Recent Developments".

Changes in fiscal and monetary policies may adversely impact our results.

The RBNZ regulates the supply of money and credit in New Zealand. Its policies determine in large part the cost of funds to us for lending and investing and the return we will earn on those loans and investments. Both of these affect our net interest margin and can materially affect the value of financial instruments we hold, such as debt securities and hedging instruments. The policies of the RBNZ can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in the RBNZ's policies are difficult to accurately predict.

Regulatory actions may adversely impact our results.

We are subject to laws, regulations and codes of practice in New Zealand, Australia and other countries in which we operate, trade, raise funds or in respect of which we have some other connection (including the United Kingdom and the United States). These regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of any Notes of any of the Issuers. In particular, the ANZ New Zealand Group's banking, funds management, and insurance activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency, provisioning, and insurance policy terms and conditions. As a result of the global financial crisis, we continue to expect increased regulatory focus on capital and liquidity requirements, customer relations and other aspects of our business that may impose increased regulatory burdens. For example, the RBNZ, APRA, the Basel Committee on Banking Supervision and regulators in other jurisdictions have revised standards and released discussion papers, proposals and decisions in regards to strengthening the resilience of the banking and insurance sectors, including proposals and decisions to strengthen capital and liquidity requirements for the banking sector (widely known as "Basel III").

The New Zealand Government and its agencies, including the RBNZ, the Commerce Commission and the Financial Markets Authority ("FMA"), have supervisory oversight over us. To the extent that we have operations, trade or raise funds in, or have some other connection with, countries other than Australia or New Zealand then such activities may be subject to the laws of, and regulation by agencies in, such countries, such as United States governmental agencies, including the Federal Reserve Board, the U.S. Department of Treasury and the Office of the Comptroller of the Currency, and United Kingdom agencies, including the Financial Conduct Authority, and other financial industry regulatory bodies in those countries and in other relevant countries. To the extent that these regulatory requirements limit our operations or flexibility they could adversely impact on our profitability and prospects. In addition, our failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by regulatory agencies, compensatory action by affected persons, and could damage our reputation, in any jurisdiction.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations and policies. Changes to laws, regulations or codes of practice, including changes in interpretation or implementation of laws, regulations or policies, could affect us in substantial and unpredictable ways and may even conflict with each other. These may include increasing required levels of bank liquidity and capital adequacy, requiring changes to systems and processes, limiting the types of financial services and products we may offer, constraining outsourcing or offshoring arrangements and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements. For instance, Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was signed into law in the United States in July 2010. Implementation of the Dodd-Frank Act will require many lengthy rulemaking processes that are expected to result in the promulgation of 200 or more new regulations. Once fully implemented, the Dodd-Frank Act will affect many aspects, in the United States and internationally, of the business of banking, including securitization, proprietary trading, investing, OTC derivatives and other activities. The extent of these impacts is uncertain and will depend on the rules United States regulatory agencies develop and implement under the Dodd-Frank Act over the next several years.

The Credit Contracts and Financial Services Law Reform Bill has been introduced into Parliament and is awaiting its first reading. If enacted, the Bill will introduce responsible lending principles and strengthen consumer rights in lending transactions.

ANZ New Zealand is registered under the Reserve Bank of New Zealand Act 1989 (New Zealand) ("**RBNZ Act**") and supervised by the RBNZ. As part of its registration, ANZ New Zealand is subject to Conditions of Registration imposed by the RBNZ. For details of ANZ New Zealand's current Conditions of Registration, see "Regulation and Supervision — Conditions of Registration: ANZ Bank New Zealand Limited". The Conditions of Registration may be changed at any time, though the RBNZ is required to give ANZ New Zealand notice and consider submissions made by ANZ New Zealand prior to any such change.

ANZ New Zealand is required to comply with Condition of Registration 11, which embodies the RBNZ's policy on outsourcing and requires ANZ New Zealand to have the legal and practical ability to control and execute business functions to ensure the performance of certain outcomes relating to clearing and settlement, risk position identification and monitoring, and customer access to payment facilities.

ANZ New Zealand has received RBNZ accreditation as an advanced IRB and AMA bank under the principles laid out by the Basel Committee on Banking Supervision in respect of the Capital Accord (widely known as Basel II). That accreditation is subject to conditions and these have been incorporated into the current Conditions of Registration. We are regularly reviewed by both RBNZ and APRA in terms of maintaining that accreditation.

In the event that the RBNZ were to conclude that we did not satisfy these conditions, sanctions could be imposed on us. These could include increases in our required levels of capital or additional limitations on the conduct of our business. In addition, the RBNZ could require us to take additional steps and incur additional expense to satisfy the conditions.

ANZ New Zealand may face increased tax reporting compliance costs.

In March 2010, the United States enacted the Foreign Account Tax Compliance Act ("**FATCA**") that would require non-United States banks to provide information on United States accountholders to the United States tax authorities. In addition, it is possible that future laws adopted by jurisdictions that enter into intergovernmental agreements with the United States in furtherance of such United States legislation (including New Zealand) will require that such information be reported to a non-United States bank's local revenue authority to forward to the United States tax authorities. If this information is not provided in a manner and form meeting the applicable requirements, a non-United States bank will have a 30% withholding tax applied to certain amounts paid to it. No such withholding tax will be imposed on any payments derived from sources within the United States that are made prior to July 1, 2014, and no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2017, at the earliest. New Zealand has not yet entered into intergovernmental agreements as described above. ANZ New Zealand is expected to make significant investments in order to comply with the requirements of the United States legislation or, if applicable, any local laws implementing an intergovernmental agreement in furtherance of such legislation.

We may experience challenges in managing our capital base, which could give rise to greater volatility in capital ratios, and materially impact our business and our ability to obtain funding.

Our capital base is critical to the management of our businesses and access to funding. We are required by the RBNZ to maintain adequate regulatory capital.

Under current regulatory requirements, risk weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses in times of stress. As a result, greater volatility in capital ratios may arise and may require us to hold additional capital.

Our capital ratios may be affected by a number of factors, such as lower earnings, increased asset growth, changes in the value of the New Zealand dollar against other currencies which impacts the foreign currency translation reserve and changes in business strategy (including acquisitions and investments or an increase in capital intensive businesses).

Global and domestic regulators, including the Basel Committee have released proposals and decisions to strengthen, among other things, the liquidity and capital requirements of banks and funds management and insurance entities. These proposals and decisions, together with any risks arising from any regulatory changes, are described above in the risk factor entitled "Regulatory actions may adversely affect our results" and in the section entitled "Regulation and Supervision".

Application of and changes to accounting policies may adversely impact our results.

The accounting policies and methods that we apply are fundamental to how we record and report our financial position and results of our operations. The accounting policies for the ANZ New Zealand Financial Statements for the years ended September 30, 2013 and September 30, 2012 are set forth in note 1 to the consolidated financial statements for the year ended September 30, 2013. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and be reasonable under the circumstances yet might result in reporting materially different outcomes than would have been reported under another alternative.

We are subject to contagion and reputation risk which may adversely impact our results.

As we are part of a larger business group, we are vulnerable to financial and reputational damage by virtue of our association with other members of the ANZ Group, any of which may suffer the occurrence of a risk event.

In our case, the damage may be financial and may impact our results if financial resources are withdrawn by ANZBGL to support us or another member of the ANZ Group. Reputation risk may arise as a result of a contagion event or as a result of our own actions. The reputational consequences (including damage to the ANZ Group franchise) of the occurrence of a risk event, for example major operational failure, may exceed the direct cost of the risk event itself and may impact on our results.

We are subject to acquisition and restructuring risk which may materially and adversely impact our results.

We regularly examine a range of corporate opportunities including material acquisitions and dispositions, with a view to determining whether those opportunities will enhance our financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on our financial condition or results of operations. The successful implementation of our corporate strategy will depend on a range of factors such as potential funding strategies and challenges associated with integrating and adding value to acquired businesses.

There can be no assurance that any acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings, the overall performance of the combined entity, or an improved price for ANZ New Zealand's securities. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, counterparties, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the ANZ New Zealand Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired businesses will remain as such post-acquisition, and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the ANZ New Zealand Group's operations or results.

Acquisitions, disposals and restructuring may also result in business disruptions that cause the ANZ New Zealand Group to lose customers or cause customers to remove their business from the ANZ New Zealand Group to competing financial institutions. It is possible that the integration process related to acquisitions and restructurings could result in the disruption of the ANZ New Zealand Group's on-going businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect the ANZ New Zealand Group's ability to maintain relationships with employees, customers, counterparties, suppliers and other business partners which could adversely affect the ANZ New Zealand Group's ability to conduct its business successfully. The ANZ New Zealand Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of ANZ New Zealand's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

ANZ New Zealand may experience reductions in the valuation of some of its assets, resulting in fair value adjustments that may have a material adverse effect on its earnings.

Under NZ IFRS, ANZ New Zealand recognizes at fair value:

- financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss";
- financial assets classified as "available-for-sale"; and
- derivatives.

Generally, in order to establish the fair value of these instruments, ANZ New Zealand relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on discounted cash flow models or other market accepted valuation techniques. In certain circumstances, the data for individual financial instruments or classes of financial instruments used by such estimates or techniques may not be available or may become unavailable due to changes in market conditions. In these circumstances, the fair value is determined using data derived and extrapolated from market data, and tested against historic transactions and observed market trends.

The valuation models incorporate the impact of factors that would influence the fair value determined by a market participant. Principal inputs used in the determination of the fair value of financial instruments based on valuation techniques include data inputs such as statistical data on delinquency rates, foreclosure rates, actual losses, counterparty credit spreads, recovery rates, implied default probabilities, credit index tranche prices and correlation curves. These assumptions, judgments and estimates need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on ANZ New Zealand's earnings.

We are exposed to insurance risk and potential fluctuations in investment and global securities markets, which may adversely affect our results.

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Insurance risk exposure arises in insurance business as the risk that claims payments are greater than expected. In the life insurance business this arises through mortality (death) and morbidity (illness and injury) risks being greater than expected. Since the full acquisition of ANZ Wealth (formerly known as ING (NZ) Holdings Limited), we have increased exposure to insurance risk in the life insurance business which may adversely affect our results.

The profitability of our funds management and insurance business is affected by changes in investment markets and weaknesses in global securities markets due to credit, liquidity or other problems which could result in a decline in our revenues from our funds management and insurance business.

We may be exposed to the impact of future climate change, geological, plant and animal, biological and other extrinsic events which may adversely affect our business, operations and financial condition.

We are exposed to climate related events (including climate change). These events may include severe storms, droughts, cyclones, hurricanes, floods and rising sea levels. The impact of such events may temporarily interrupt or restrict the provision of some of our services and also adversely affect our collateral position in relation to credit facilities extended to customers.

We may also be exposed to other events such as geological events (volcanic or seismic activity, tsunamis), plant or animal diseases or other extrinsic events, such as flu pandemics. These may severely disrupt normal business activity and have a negative effect on our business, operations and financial condition. The most recent examples of this are the major earthquakes in the Canterbury area. While much of the widespread property damage was covered by public (Earthquake Commission) and private insurance, there have been and may continue to be negative impacts on property (and hence collateral) values and on future levels of insurance and reinsurance coverage across New Zealand. A reduction in the value of New Zealand property as a result of geological events such as earthquakes could increase lending losses which may adversely affect our business operations and financial condition. As a consequence of our large market share in the New Zealand rural sector (particularly the dairy and kiwifruit sectors), climatic, disease and other risks that can have a large impact on these sectors could adversely impact our financial results.

See also “Risk Factors – We are subject to credit risk, which may adversely impact our results”.

We are exposed to the impacts on property values and on future levels of insurance and reinsurance coverage across New Zealand following Canterbury region earthquakes.

In New Zealand, earthquakes have impacted the Canterbury area since September 2010, causing widespread property and infrastructure damage and deaths. While much of the damage was covered by public (Earthquake Commission) and private insurance, there will potentially be negative impacts on property values and on future levels of insurance and reinsurance coverage across New Zealand. Subsequent earthquakes and continued aftershocks in Canterbury or in other populated areas may further adversely impact property values and the ability to obtain insurance on properties used by ANZ New Zealand to secure loans. The insurance industry is progressively moving away from offering ‘full replacement’ housing insurance towards offering housing insurance on a ‘sum insured’ basis. A reduction in the value of New Zealand residential and commercial property as a result of geological events such as earthquakes could increase provisioning and lending losses which would adversely affect ANZ New Zealand’s business, operations and financial condition.

See also “Risk Factors – We are subject to credit risk, which may adversely impact our results”.

We may be exposed to the risk of impairment of capitalized software and goodwill that may adversely affect our results.

In certain circumstances, the ANZ New Zealand Group may be exposed to a reduction in the value of intangible assets. As at September 30, 2013, the ANZ New Zealand Group carried a goodwill balance of $3,233 million. The ANZ New Zealand Group is required to assess the recoverability of this goodwill balance on at least an annual basis based on a discounted cash flow calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balance. Similarly, as at September 30, 2013, the ANZ New Zealand Group carried capitalized software balances and other intangible assets of $215 million and the recoverability of these assets is assessed for indicators of impairment at least annually. In the event that software is no longer in use, or that the cash flows generated by the intangible assets do not support the carrying value, an impairment may be recorded, adversely impacting ANZ New Zealand Group’s results.

The unexpected loss of key staff or inadequate management of human resources may adversely affect the ANZ New Zealand Group's business, operations and financial condition.

The ANZ New Zealand Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. At ANZ New Zealand, there are certain individuals and key executives whose skills and reputation are critical to setting the strategic direction, successful management and growth of ANZ New Zealand, and whose unexpected loss due to resignation, retirement, death or illness may adversely affect its operations and financial condition. In addition, ANZ New Zealand may in the future have difficulty attracting highly qualified people to fill important roles, which could adversely affect the ANZ New Zealand Group's business, operations and financial condition.

The assets of the ANZNZ Covered Bond Trust are not available to creditors of ANZ New Zealand, including holders of Notes issued by ANZNIL or ANZ New Zealand.

Under the €5 billion ANZ New Zealand covered bond program, investors have full recourse to ANZNIL or ANZ New Zealand as issuer and ANZ New Zealand as guarantor and also to a cover pool of assets held by the ANZNZ Covered Bond Trust. The assets of the ANZNZ Covered Bond Trust are made up of certain housing loans and related securities originated by ANZ New Zealand and which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust of covered bonds issued by ANZ New Zealand or ANZNIL, from time to time.

As at September 30, 2013 the rights to cash flows associated with housing loans and related securities with a carrying value of $5,857 million or 4.9% of ANZ New Zealand's total assets were held in the ANZNZ Covered Bond Trust. The assets of the ANZNZ Covered Bond Trust do not qualify for derecognition as ANZ New Zealand retains substantially all of the risks and rewards of the transferred assets. Therefore, the establishment of the covered bond program and the ANZNZ Covered Bond Trust do not change ANZ New Zealand's financial statements.

The covered bonds are guaranteed by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust under the terms of the covered bond program. All obligations of ANZNIL, as issuer, are guaranteed by ANZ New Zealand. The assets of the ANZNZ Covered Bond Trust are not available to creditors of ANZ New Zealand, including holders of Notes issued by ANZNIL or ANZ New Zealand, although ANZ New Zealand (or its liquidator or statutory manager) may have a claim against the residual assets of the ANZNZ Covered Bond Trust (if any) after all prior ranking creditors of the ANZNZ Covered Bond Trust have been satisfied.

We may be exposed to risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities which may adversely affect the Group's business and operations.

Such risks can include:

- the provision of unsuitable or inappropriate advice (commensurate with a customer's objectives and appetite for risk),
- the representation of, or disclosure about, a product or service which is inaccurate, or does not provide adequate information about risks and benefits to customers,
- a failure to appropriately manage conflicts of interest within sales and /or promotion processes (including incentives and remuneration for staff engaged in promotion, sales and/or the provision of advice), and
- a failure to deliver product features and benefits in accordance with terms, disclosures, recommendations and/or advice.

Exposure to such risk may increase during periods of declining investment asset values (such as during a period of economic downturn or investment market volatility), leading to sub-optimal performance of investment products and/or portfolios that were not aligned with the customer's objectives and risk appetite.

We are regulated under various legislative mechanisms in the countries in which it operates that provide for consumer protection around advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorized to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes.

Risks pertaining to advice about financial products and services may result in material litigation (and associated financial costs), regulatory actions, and/or reputational consequences.

Risks relating to the Notes

Investors may be subject to loss of some or all of their investment if any Obligor is subject to bankruptcy or insolvency proceedings or some other event occurs which impairs the ability of the Obligor to meet its obligations under the Notes. An investor may also lose some or all of its investment if it seeks to sell the relevant Notes prior to their scheduled maturity, and the sale price of the Notes in the secondary market is less than the initial investment or the relevant Notes are subject to certain adjustments in accordance with the terms and conditions of such Notes that may result in the scheduled amount to be paid of asset(s) to be delivered upon redemption being reduced to or being valued at an amount less than an investor's initial investment.

The Notes are subject to transfer restrictions under U.S. law.

13.4.14(A)

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered hereby to QIBs in transactions that are either exempt from registration pursuant to Section 4(a)(2) of, and Rule 144A under, the Securities Act, or are not subject to registration in reliance on Regulation S. Accordingly, under U.S. law the Notes are subject to certain restrictions on the resale and other transfer thereof as set forth under “Notice to Purchasers” and “Plan of Distribution”. As a result of such restrictions, there can be no assurance as to the existence of a secondary market for the Notes or the liquidity of such market if one develops. Consequently, you must be able to bear the economic risk of an investment in your Notes for an indefinite period of time.

Redemption may adversely affect your return on the Notes.

If the relevant Issuer is obligated to pay additional amounts on the Notes or, in the case of the ANZNIL Notes, ANZ New Zealand is obligated to pay additional amounts under the Guarantee, the relevant Issuer may redeem the Notes. The relevant Final Terms may specify that the Notes are redeemable at our option. We may choose to redeem your Notes at times when prevailing interest rates are lower than when you invested. In addition, if your Notes are subject to mandatory redemption, we may be required to redeem your Notes at times when prevailing interest rates are lower than when you invested. As a result, you generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equal to or higher than that applicable to your Notes being redeemed.

Because Global Notes will be held by or on behalf of DTC and/or an alternative clearing system (including Euroclear and Clearstream, Luxembourg), holders of Notes issued in the form of Global Notes will have to rely on their procedures for transfer, payment and communication with the relevant Obligor.

Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for DTC and/or an alternative clearing system (the “**Depositary**”). Apart from the circumstances described in this Offering Memorandum and Global Note, investors will not be entitled to Notes in definitive form. The Depositary, or its nominee, will be the sole registered owner and holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a holder of the Note, but only an indirect owner of an interest in the Global Note. As an indirect owner, an investor’s rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor’s financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of Notes and instead deal only with the Depositary that holds the Global Note. An investor in a Global Note will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes.

See “Description of the Notes and the Guarantee — Payment mechanics for Notes” and “Legal Ownership and Book-Entry Issuance” for further discussion of the risks associated with holding Global Notes.

Floating Rate Notes with caps or floors bear certain risks.

Floating Rate Notes can be volatile investments. If they are structured to include caps or floors, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes with caps or floors bear certain risks.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Because the Fiscal Agency Agreement contains no limit on the amount of additional debt that we may incur, our ability to make timely payments on the Notes you hold may be affected by the amount and terms of our future debt.

Our ability to make timely payments on our outstanding debt may depend on the amount and terms of our other obligations, including any outstanding Notes. The Fiscal Agency Agreement does not contain any limitation on the amount of indebtedness that we may issue in the future. As we issue additional Notes under the Fiscal Agency Agreement or incur other indebtedness, unless our earnings grow in proportion to our debt and other fixed charges, our ability to service the Notes on a timely basis may become impaired.

Fixed/Floating Rate Notes bear certain risks.

Fixed/floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favorable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium bear certain risks.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Partly-paid Notes bear certain risks.

The Issuer may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment and not receiving any interest on the Notes.

Modification and waivers and substitution bear certain risks.

The terms of the Notes contain provisions for calling meetings of holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

There may not be any trading market for the Notes; many factors affect the trading and market value of the Notes.

Upon issuance, the Notes may not have an established trading market. Although the Notes may be listed on the London Stock Exchange, we cannot ensure that a trading market for your Notes will ever develop or be maintained if developed. In addition to our creditworthiness, many factors affect the trading market for, and trading value of, the Notes. These factors include but are not limited to:

- the complexity and volatility of the formula applicable to the Notes (if any);
- the method of calculating the principal, premium and interest in respect of the Notes;
- the time remaining to the stated maturity of the Notes;
- the outstanding amount of the Notes;
- any redemption features of the Notes;
- the amount of other debt securities linked to the formula applicable to the Notes (if any);
- the level, direction and volatility of market interest rates generally;
- investor confidence and market liquidity; and
- our financial condition and results of operations.

There may be a limited number of buyers when you decide to sell the Notes. This may affect the price you receive for such Notes or the ability to sell such Notes at all. In addition, Notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility than those not so designed. You should not purchase the Notes unless you understand and know you can bear all of the investment risks involving the Notes.

The Notes may be de-listed, which may materially affect your ability to resell.

Any Notes that are listed on the London Stock Exchange may be de-listed. We may, but are not obligated to, seek an alternative listing. However, if such an alternative listing is not available or in our opinion is unduly burdensome, an alternative listing for the Notes may not be obtained. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the London Stock Exchange, delisting the Notes from the London Stock Exchange may have a material adverse effect on your ability to resell your Notes in the secondary market.

Notes denominated or payable in or linked to a non-U.S. dollar currency are subject to exchange rate and exchange control risks.

If you invest in a non-U.S. dollar Note, you will be subject to significant risks not associated with an investment in a Note denominated and payable in U.S. dollars, including the possibility of material changes in the exchange rate between U.S. dollars and the applicable foreign currency and the imposition or modification of exchange controls by the applicable governments. We have no control over the factors that generally affect these risks, including economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on non-U.S. dollar Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between these currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of your payment currency would result in a decrease in the U.S. dollar equivalent yield of your non-U.S. dollar Notes, in the U.S. dollar equivalent value of the principal and any premium payable at maturity or any earlier redemption of your non-U.S. dollar Notes and, generally, in the U.S. dollar equivalent market value of your non-U.S. dollar Notes.

Governmental exchange controls could affect exchange rates and the availability of the payment currency for your non-U.S. dollar Notes on a required payment date. Even if there are no exchange controls, it is possible that your payment currency will not be available on a required payment date for circumstances beyond our control. In these cases, we will be allowed to satisfy our obligations in respect of your non-U.S. dollar Notes in U.S. dollars or delay payment. See “Description of the Notes and the Guarantee — Currency of Notes” and “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency” for further discussion of these risks.

The Notes’ credit ratings may not reflect all risks of an investment in the Notes.

The credit ratings of the Notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in the credit ratings of the Notes will generally affect any trading market for, or trading value of, the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Each rating should be evaluated independently of any other information.

The Notes are subject to changes in tax law which could have an adverse effect.

Statements in this Offering Memorandum concerning the taxation of holders of Notes are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is subject to change, possibly with retrospective effect, and this could adversely affect holders of Notes. In addition, any change in an Issuer’s tax status or in taxation legislation or practice in a relevant jurisdiction could adversely impact the ability of the Issuers to service the Notes and the market value of the Notes.

FATCA withholding may apply to payments on Notes, including as a result of the failure of a Noteholder or a Noteholder’s bank or broker to provide information to taxing authorities.

The United States may impose a withholding tax of as high as 30% on payments made with respect to the Notes, but the rules for calculating the amount of such withholding tax are still undetermined. According to regulations and administrative guidance, this withholding tax generally will only apply to payments made on or after January 1, 2017, at the earliest, and only with respect to Notes issued or modified at least six months after the date on which final regulations implementing the rules for calculating the amount of such withholding tax are published in final form. The withholding tax, when it applies, may be imposed at any point in a series of payments unless the relevant payee (including a bank, broker or individual) at each point complies with information reporting, certification and related requirements. Accordingly, a Noteholder that holds Notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because it fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. If a payment on the Notes is subject to this withholding tax, no additional amounts will be paid, and a Noteholder will receive less than the amount of the expected payment.

Prospective investors should consult their tax advisors and their banks or brokers regarding the possibility of this withholding. For more information, see "Taxes—United States federal income taxation—FATCA" below.

Proposals to reform LIBOR.

A change in the method of calculation or discontinuance of the London Inter-Bank Offered Rate ("**LIBOR**") could have a negative impact on the value of any Floating Rate Notes where the interest rate is calculated with reference to LIBOR. On July 9, 2013, after a bidding process, the British Bankers' Association (the"**BBA**") announced that NYSE Euronext Rate Administration Limited had been selected as the new administrator for LIBOR. The transfer of the administration from BBA LIBOR Limited, a subsidiary of BBA, is expected to be completed in early 2014, once the Financial Conduct Authority (UK) has approved the transfer. The new administrator of LIBOR may make methodological changes that could change the level of LIBOR, which in turn may adversely affect the value of the Notes. The new administrator of LIBOR may also alter, discontinue or suspend calculation or dissemination of LIBOR. No administrator of LIBOR will have any obligation to any investor in respect of any Notes. The administrator of LIBOR may take any actions in respect of LIBOR without regard to the interests of any investor in the Notes, and any of these actions could have an adverse effect on the value of the Notes.

In addition, the proposals to reform LIBOR suggest reducing the number of currencies and tenors for which LIBOR is calculated. If the rate of interest on the relevant Floating Rate Notes is calculated with reference to a discontinued currency or tenor, or the proposed changes when implemented otherwise change the way in which LIBOR is calculated under such Floating Rate Notes, this could result in the rate of interest being lower than anticipated, which would adversely affect the value of the Floating Rate Notes.

The proposals to reform LIBOR also include compelling more banks to provide LIBOR submissions, and basing these submissions on data from actual transactions. This may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of the Notes.

Use of Proceeds

ANZNIL will on-lend the net proceeds from the sale of all ANZNIL Notes to ANZ New Zealand. ANZ New Zealand intends to use the net proceeds from the sales of Notes (including Notes issued by ANZNIL) to provide additional funds for operations, for general corporate purposes and such other purposes as may be specified in a supplement hereto.

Capitalization, Funding and Capital Adequacy

The following table sets out the consolidated capitalization and capital adequacy of the ANZ New Zealand Group as at September 30, 2013. This information has been extracted from the ANZ New Zealand Financial Statements as at September 30, 2013, included as part of Annex A to this Offering Memorandum. For more information concerning our capitalization and capital adequacy see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Memorandum and the 2013 Disclosure Statement.

	As at September 30, 2013	
	(US$ millions, except as indicated)[1]	(NZ$ millions, except as indicated)
Capitalization and Funding		
Due to other financial institutions	**1,263**	**1,517**
Deposits and other borrowings	**64,667**	**77,697**
Derivative financial instruments	**8,525**	**10,243**
Payables and other liabilities	**1,419**	**1,705**
Bonds and notes	**12,896**	**15,494**
Due to Immediate Parent Company	**782**	**939**
Current tax liabilities	**2**	**3**
Provisions		
Credit impairment	**687**	**826**
Other	**191**	**229**
Total provisions	**878**	**1,055**
Loan capital[2]	**952**	**1,144**
Total equity[3]	**9,544**	**11,467**
Total Capitalization and Funding[4,5,6]	**100,928**	**121,264**
Capital Adequacy		
Common equity tier 1 capital		
Ordinary common equity share capital	**5,779**	**6,943**
Retained earnings (net of appropriations)	**3,496**	**4,200**
Accumulated other comprehensive income and other disclosed reserves	**20**	**24**
Less deductions from common equity tier 1 capital:		
Goodwill and intangible assets, net of associated deferrred tax liabilities	**(2,870)**	**(3,448)**
Deferred tax assets less deferred tax liabilities relating to temporary differences	**(81)**	**(97)**
Cash flow hedge reserve	**(22)**	**(26)**
Expected losses to the extent greater than total eligible allowances for impairment	**(61)**	**(73)**
Common equity tier 1 capital	**6,261**	**7,523**
Additional tier 1 capital - preference shares	**250**	**300**
Total Tier 1 Capital	**6,511**	**7,823**
Tier 2 Capital		
NZ$ 835,000,000 perpetual subordinated bond	**695**	**835**
AU$ 265,740,000 perpetual subordinated loan	**249**	**299**
Total Tier 2 Capital	**944**	**1,134**
Total Capital	**7,455**	**8,957**
Capital ratios (%)		
Common equity tier 1 capital	**10.42**	**10.42**
Tier 1 Capital	**10.84**	**10.84**
Tier 2 Capital	**1.57**	**1.57**
Total Capital	**12.41**	**12.41**

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(1) For the convenience of the reader, the financial data for the year ended September 30, 2013 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2013 of NZ$1.00=US$0.8323.

(2) Certain loan capital issued by ANZ New Zealand is subordinated in right of payment to the claims of depositors and all creditors of that bank and constitutes Tier 2 capital as defined by the RBNZ for capital adequacy purposes. This loan capital at September 30, 2013 consisted of the following:

- NZ$835 million perpetual subordinated bond; and
- A$265.7 million perpetual subordinated floating rate loan.

(3) Total equity at September 30, 2013 comprised (NZ$ millions):

	September 30, 2013
Ordinary share capital	**6,943**
Preference share capital	**300**
Reserves	**24**
Retained earnings	**4,200**
Total equity	**11,467**

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All of the ordinary share capital has been issued. The number of issued ordinary shares at September 30, 2013 was 1,700,755,498 of which 1,700,104,786 were fully paid. 650,712 shares were uncalled and unpaid.

ANZ New Zealand issued 300,000,000 preference shares to its immediate parent, ANZ Holdings (New Zealand) Limited, which do not carry any voting rights.

(4) As at September 30, 2013, all funding was unsecured except for: secured debenture stock of $1,492 million, covered bonds of $3,925 million, securities sold under repurchase agreements of $107 million, cash collateral received on derivative financial instruments of $438 million, and derivative financial liabilities which are secured by $1,002 million of cash collateral given on derivative financial instruments.

(5) Face or contract value of guarantees and contingent liabilities outstanding as at September 30, 2013 amounted to $2,201 million.

(6) Total due to ANZBGL as at September 30, 2013 consisted of:

	September 30, 2013
Due to other financial institutions	**55**
Due to Immediate Parent Company	**939**
Derivative financial liabilities	**2,168**
Payables and other liabilities	**308**
Bonds and notes	**1,267**
Loan capital	**310**
Total due to ANZBGL	**5,047**

The following table sets out the capitalization and funding of ANZNIL as at September 30, 2013 and has been extracted from the ANZNIL Financial Statements as at September 30, 2013, attached as Annex A-1 to this Offering Memorandum.

NZ$ millions, unless otherwise stated	**As at September 30, 2013**	
	US$ millions[1]	
Capitalization and Funding		
Commercial paper	**3,965**	**4,764**
Accrued interest payable	**69**	**83**
Current tax liabilities	**1**	**1**
Bonds and notes	**10,602**	**12,738**
Total equity[2]	**3**	**4**
Total Capitalization and Funding[3,4,5,6]	**14,640**	**17,590**

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(1) Translated from NZ dollars into U.S. dollars using the noon buying rate on September 30, 2013 of NZ$1.00=US$0.8323.

(2) Total ANZNIL equity at September 30, 2013 consists of retained profits and ordinary share capital. All of ANZNIL's ordinary share capital has been issued. The number of issued and paid up ordinary shares as at September 30, 2013 was 500,000.

(3) As at September 30, 2013 commercial paper of $4,764 million and bonds and notes of $12,738 million issued by ANZNIL were guaranteed by ANZ New Zealand.

(4) As at September 30, 2013 covered bonds with a carrying value of $3,925 million included in bonds and notes were also guaranteed by ANZNZ Covered Bond Trust Limited as trustee of ANZNZ Covered Bond Trust.

(5) There were no contingent liabilities and guarantees of ANZNIL outstanding as at September 30, 2013.

(6) As of the date of this Offering Memorandum, there has been no material change in the capitalization and funding and amount of contingent liabilities and guarantees of ANZNIL since September 30, 2013.

Exchange Rates

The following table sets forth for each of the fiscal years and months indicated:

- the high and low rates of exchange;
- the average rate of exchange based on the last day of each month during each of these periods; and
- the rate of exchange on the last day of each period,

in each case for the New Zealand dollar, expressed in U.S. dollars, based on the noon buying rate in New York City for cable transfers in New Zealand dollars as certified for customs purposes by the Federal Reserve Bank of New York. The New Zealand dollar is convertible into U.S. dollars at freely floating rates and there are currently no restrictions on the flow of New Zealand currency between New Zealand and the United States.

Exchange rates of U.S. dollars per NZ$1.00

	At period end	**High**	**Low**	**Period average**[1]
Year ended September 30,				
2009	0.7233	0.7233	0.4926	0.6012
2010	0.7329	0.7567	0.6640	0.7144
2011	0.7675	0.8776	0.7208	0.7959
2012	0.8293	0.8404	0.7405	0.8061
2013	0.8323	0.8650	0.7711	0.8193
October 2013	0.8277	0.8517	0.8247	0.8345
November 2013 (through November 15)	0.8331	0.8383	0.8214	0.8288

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(1) The period average rates for each year are based on the average closing rate on the last day of each month during such year. The period average rates for each month are based on the average closing rate for all business days of such month.

The following table sets forth for each of the periods indicated, certain information concerning the rate of exchange of the Australian dollar into New Zealand dollars, based on the rates determined by the Reserve Bank of Australia at 4 p.m., Eastern Australian time.

Exchange rates of New Zealand dollars per A$1.00

	At period end	**High**	**Low**	**Period average**[1]
Year ended September 30,				
2009	1.2193	1.2878	1.0967	1.2307
2010	1.3131	1.3177	1.2064	1.2656
2011	1.2757	1.3729	1.2416	1.3041
2012	1.2533	1.3238	1.2522	1.2874
2013	1.1248	1.2794	1.1248	1.2146
October 2013	1.1497	1.1566	1.1294	1.1410
November 2013 (through November 22)	1.1196	1.1477	1.1196	1.1325

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(1) The period average rates for each year are based on the average closing rate on the last day of each month during such year. The period average rates for each month are based on the average closing rate for all business days of such month.

Regulation and Supervision

The supervisory role of the RBNZ

The Reserve Bank Act requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks for the purposes of:

- promoting the maintenance of a sound and efficient financial system; or
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy around the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that it intends to keep to a minimum any impediments to the entry of new registered banks, in order to encourage competition in the banking system.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ seeks to achieve this by drawing on and enhancing disciplines that are naturally present in the market.

As a consequence, the RBNZ places considerable emphasis on a requirement that the banks disclose, on a quarterly basis, information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who the RBNZ considers are best placed to exercise that responsibility-the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposure, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published quarterly disclosure statements. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting with the senior management of registered banks;
- using crisis management powers available to it under the Reserve Bank Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on anti-money laundering and countering financing of terrorism;
- issuing guidelines on banks' internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

The disclosure statements that are required to be issued quarterly by registered banks contain comprehensive corporate details and full financial statements at the full year, and unaudited interim financial statements at the half year and the off-quarters. They are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ currently also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in the quarterly disclosure statements.

In addition, the RBNZ has wide reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consults with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

If a registered bank is declared to be subject to statutory management, no person may, amongst other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ's supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a "significant influence" over a registered bank. "Significant influence" means the ability to appoint 25% or more of the Board of Directors of a registered bank or a qualifying interest (e.g., legal or beneficial ownership) in 10% or more of its voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it thinks fit.

The RBNZ has engaged with banks on the pre-positioning requirements that banks will be expected to comply with to fully implement the Open Bank Resolution ("**OBR**") policy. OBR is a long-standing policy option aimed at resolving a bank failure quickly, in such a way, including by suspending payment of a portion of liabilities, that the bank can be promptly reopened for business, thus minimizing stresses on the overall banking and payments system. Banks were consulted on the systems requirements to ensure the concept can be put into operation. Following the consultation process the RBNZ released its OBR Pre-positioning Requirements Policy (BS17), which describes the policy, the process and the requirements on banks. As a standard condition of registration New Zealand incorporated registered banks with retail deposits over $1 billion have been required to comply with the OBR Pre-positioning Requirements Policy (BS17) from June 30, 2013.

The RBNZ has implemented the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions, as of January 1, 2013. With effect from January 1, 2014, the RBNZ will also require New Zealand incorporated banks (including ANZ New Zealand) to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion from January 1, 2014 to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit.

The RBNZ is undertaking a staged review of bank capital adequacy requirements for housing loans. As a consequence of stage one of the review, new and higher housing correlation factors for high loan-to-value loans took effect on September 30, 2013, thereby increasing the capital adequacy requirements for the high loan-to-value loans of banks using the internal ratings based approach for calculating capital adequacy ratios. This will increase reported risk weighted assets. The RBNZ has also released in September 2013 a second consultation paper on stage two of the housing review. The consultation mainly focuses on remedying definitional inconsistencies and ambiguities currently contained in the RBNZ's capital requirements. It also proposes formalising the RBNZ's approval process and on-going requirements for internal based banks.

The RBNZ has consulted banks on new macro-prudential tools that may be used from time to time to manage financial system risks. These tools include: restrictions on high loan to value ratios; sectoral capital requirements; adjustments to the minimum RBNZ core funding ratio requirements; and the Basel III countercyclical capital buffer. The RBNZ announced in August 2013 its intention to implement restrictions on high loan-to-value ratio (LVR) lending. From October 1, 2013, banks must restrict new residential mortgage lending at LVRs of over 80 percent (a deposit of less than 20 percent) to no more than 10 percent of the dollar value of their total new residential mortgage lending.

Since April 1, 2010 New Zealand incorporated banks (including ANZ New Zealand) have been required to comply with the RBNZ's Liquidity Policy (BS13). The Liquidity Policy requires banks to meet a minimum core-funding ratio of 75 percent, ensuring that a greater proportion of bank funding is met through retail deposits and term wholesale funding. Basel III proposes a liquidity policy which the RBNZ considers very similar to the intent of BS13. However, the RBNZ considers that certain aspects of the new liquidity standards are not suitable for adoption in New Zealand. The RBNZ has stated that it does not intend to switch from its Liquidity Policy (BS13) to the Basel III liquidity standards in the near term, although the New Zealand standards will continue to be reviewed. This review is scheduled for 2013.

Following consultation by the RBNZ, the Reserve Bank of New Zealand (Covered Bonds) Amendment Bill was introduced to Parliament on May 10, 2012 ("**Bill**").The Bill had its third reading on November 21, 2013 and is currently awaiting Royal assent. The Bill's primary purpose is to establish a legislative framework for covered bonds in order to provide legal certainty as to the treatment of cover pool assets in the event of an issuer's liquidation or statutory management. The key aspects of the framework are:

(a) mandatory registration of New Zealand banks' covered bond programs, subject to meeting registration requirements;

(b) requiring cover pool assets to be held by a special purpose vehicle ("**SPV**") that is a separate legal entity from the issuer;

(c) independent monitoring of cover pools by a cover pool monitor; and

(d) clarification of the treatment of cover pool assets held by a covered bond SPV in the event that an issuer is placed into statutory management or liquidation.

The legislative framework set out in the Bill will apply to existing covered bond programs, for which the Bill contains transitional provisions. Once the Bill receives Royal assent, amendments will be required to the program documents relating to the ANZ New Zealand covered bond program in the transitional period.

The Act will come into force on the day after it receives Royal assent and the transitional period runs for nine months from that date. Issuing banks under existing covered bond programs may continue to issue covered bonds under existing covered bonds programs during this transitional period (unless they have applied for registration of the program during that period and the application has been declined). All existing covered bond programs must be registered by the end of the transitional period.

After the transitional period, banks with existing covered bonds programs are prohibited from issuing covered bonds other than under registered programs. However, the Bill provides that the failure of an issuing bank to register a covered bond program does not affect any other person's ability to enforce its rights in relation to that program or any covered bonds issued under that program (which would include those covered bonds issued during the transitional period).

FATCA requires foreign financial institutions to provide the United States tax authorities with information on certain foreign accounts held by U.S. persons. In addition, it is possible that future laws adopted by jurisdictions that enter into intergovernmental agreements with the United States in furtherance of such United States legislation (including Australia and New Zealand) will require that such information be reported to a non-United States bank's local revenue authority to forward to the United States tax authorities. FATCA is expected to require significant investment by affected institutions in compliance and reporting frameworks that will meet FATCA standards. Unified market practices regarding FATCA have not yet developed. It is possible that ANZ New Zealand and ANZNIL may become subject to onerous U.S. withholding taxes under FATCA. Further, it is also possible that ANZ New Zealand and ANZNIL may be required to make onerous gross-up payments to others in respect of FATCA withholding on payments made by ANZ New Zealand and ANZNIL to them under existing or future transaction documentation.

Dodd-Frank

The Dodd-Frank Act was signed into law on July 21, 2010. Implementation of the Dodd-Frank Act requires many rulemakings that are expected to continue over the next several years. Once fully implemented, the Dodd-Frank Act will affect many aspects, in the United States and internationally, of the business of banking, including securitization, proprietary trading, investing, OTC derivatives and other activities.

ANZ New Zealand's businesses may be affected by a variety of new regulations under the Dodd-Frank Act including, but not limited to, greater regulation of OTC derivatives, including stricter capital and margin requirements, the central clearing of standardized OTC derivatives, and heightened supervision and potential registration requirements for OTC derivatives dealers, and major market participants. The extent of these impacts will depend on the rules the U.S. regulatory agencies develop and implement under the Dodd-Frank Act over the next several years.

Conditions of Registration: ANZ Bank New Zealand Limited

These conditions apply on and after October 1, 2013, except as provided otherwise.

The registration of ANZ Bank New Zealand Limited (the "bank") is subject to the following conditions:

1. That—

   (a) the Total capital ratio of the banking group is not less than 8%;

   (b) the Tier 1 capital ratio of the banking group is not less than 6%;

   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

   (d) the Total capital of the banking group is not less than $30 million; and

   (e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated September 2013 is followed for the recognition and repayment of capital.

   For the purposes of this condition of registration,—

   the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated September 2013 is 1.06.

   "Total capital ratio", "Tier 1 capital ratio", "Common Equity Tier 1 capital ratio", and "Total capital" must be calculated in accordance with the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated September 2013.

1A. That—

   (a) the bank has an internal capital adequacy assessment process ("**ICAAP**") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ("**ICAAP**")" (BS12) dated December 2007;

   (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated September 2013; and

   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the banking group complies with all requirements set out in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated September 2013.

1C. 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.

For the purposes of this condition of registration,—

"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated September 2013.

the scalar referred to in the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated September 2013 is 1.06.

This condition of registration applies on and after 1 January 2014.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank[1]	**Connected exposure limit (% of the banking group's Tier 1 capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

(1) This table uses the rating scales of S&P, Fitch and Moody's. (Fitch's scale is identical to S&P's.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 % of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated September 2013.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

   (a) the board of the bank must have at least five directors;

   (b) the majority of the board members must be non-executive directors;

   (c) at least half of the board members must be independent directors;

   (d) an alternate director,—

      (i) for a non-executive director must be non-executive; and

      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

   (f) the chairperson of the board of the bank must be independent; and

   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the bank;

(d) the majority of the members of the committee must be independent; and

(e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of New Zealand document entitled “Corporate Governance” (BS14) dated March 2011.

10. That a substantial proportion of the bank’s business is conducted in and from New Zealand.

11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:

(a) that the bank’s clearing and settlement obligations due on a day can be met on that day;

(b) that the bank’s financial risk positions on a day can be identified on that day;

(c) that the bank’s financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

(d) that the bank’s existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

For the purposes of this condition of registration, the term “legal and practical ability to control and execute” is explained in the Reserve Bank of New Zealand document entitled “Outsourcing Policy” (BS11) dated January 2006.

12. That:

(a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;

(b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together “CEO”) is with the bank, and the terms and conditions of the CEO’s employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and

(c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

(c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled “Liquidity Policy” (BS13) dated March 2011 and “Liquidity Policy Annex: Liquid Assets” (BS13A) dated December 2011.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank’s view for managing the bank’s liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and

(d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can –

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager -

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a de minimis to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document entitled "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That the bank has an Implementation Plan that –

(a) is up-to-date; and

(b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17).

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

19. That the bank has a compendium of liabilities that –

(a) at the product-class level lists all liabilities, indicating which are –

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "prepositioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Prepositioning Requirements Policy" (BS17) dated September 2013.

20. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

21. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%,

exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

22. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

23. That the bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

24. That the bank must not provide a residential mortgage loan if the residential property to be mortgaged to the bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

25. That the bank must not act as broker or arrange for a member of its banking group to provide a residential mortgage loan.

In these conditions of registration, —

"**banking group**" means ANZ Bank New Zealand Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

"**generally accepted accounting practice**" has the same meaning as in section 2 of the Financial Reporting Act 1993.

In conditions of registration 21 to 25,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated September 2013:

"loan-to-valuation measurement period" means—

(a) the six calendar month period ending on the last day of March 2014; and

(b) thereafter a period of three calendar months ending on the last day of the third calendar month, the first of which ends on the last day of April 2014.

ANZNIL

ANZNIL is not a registered bank, and so is not directly subject to the conditions of registration imposed by the RBNZ, nor is it directly regulated by the RBNZ under the Reserve Bank Act. However, it is part of the Banking Group for purposes of ANZ New Zealand's registration.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Prospective investors should read the following discussion of our financial condition and results of operations together with our financial statements and the notes to such financial statements, included in this Offering Memorandum. The presentation in this section contains forward looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward looking statements as a result of a number of factors, including, but not limited to, those set forth under the caption "Risk Factors" and elsewhere in this Offering Memorandum.

The following discussion is based on the ANZ New Zealand Financial Statements, which have been prepared in accordance with NZ IFRS, which differs from U.S. GAAP in certain significant respects.

Because ANZNIL's operations consist of providing funding to the ANZ New Zealand Group and because ANZ New Zealand provides the Guarantee with respect to the ANZNIL Notes, we do not believe that a discussion of ANZNIL's financial condition and results of operations would be meaningful to investors. However, the ANZNIL Financial Statements are attached to this Offering Memorandum as Annex A-1. The ANZNIL Financial Statements have not been prepared in accordance with EU IFRS.

Overview

ANZ New Zealand is a leading New Zealand commercial bank serving over 2 million customers in New Zealand. We are a wholly owned subsidiary of ANZBGL and a member of the ANZ Group, managed by our Board and Chief Executive in compliance with the requirements and regulations of our primary regulator, the RBNZ.

Our business is organized into the following four major business segments: (1) Retail, (2) Commercial (3) Wealth and (4) Institutional.

Our operations are affected by government actions, such as changes to taxation and government regulations in New Zealand, and the New Zealand economy.

We face substantial competition in New Zealand. Competition affects our profitability in terms of reduced interest rate spreads, the volume of new lending and income. See "Overview — ANZ Bank New Zealand Limited — Competition" and "Risk Factors" in this Offering Memorandum.

Critical accounting policies

Critical accounting policies under NZ IFRS as at September 30, 2013

The ANZ New Zealand Financial Statements are prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993. In addition, the ultimate parent company, ANZBGL, defines accounting policy for the ANZ Group. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. All material changes to accounting policy are approved by the ANZ New Zealand Group's Audit Committee and ANZBGL's Audit Committee.

A brief discussion of critical accounting policies applicable as at September 30, 2013 and their impact on us follows.

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the ANZ New Zealand Group to assess impairment at least at each reporting date. The credit provisions raised (collective and individual) represent management's best estimate of the losses incurred in the loan portfolio at balance sheet date based on their experienced judgment.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio.

The use of such judgments and reasonable estimates is considered by management to be an essential part of the process.

Individual provisioning is applied when the full collectability of one of the ANZ New Zealand Group's loans is identified as being doubtful. Individual and collective provisioning is calculated using estimated future cash flows discounted to their present value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

The charge to profit for the provision for credit impairment was 0.07% of average gross loans and advances, or $63 million, for the year ended September 30, 2013, as compared to 0.23% of average gross loans and advances, or $193 million, for the year ended September 30, 2012. As at September 30, 2013, the balance of the collective and individual provisions was $826 million, or 1.14% of risk-weighted exposures, as compared to $1,054 million, or 1.57% of risk weighted exposures, as at September 30, 2012.

Derivatives and hedging

The ANZ New Zealand Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions.

A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that (a) exposes the ANZ New Zealand Group to the risk of changes in fair value or future cash flows and (b) is designated as being hedged.

Judgment is required by management in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 *Financial Instruments: Recognition and Measurement* does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The ANZ New Zealand Group adopts the hypothetical derivative approach to determine hedge effectiveness in line with current risk management strategies. Hedge ineffectiveness can arise for a number of reasons, and whilst a hedge may pass the effectiveness tests above it may not be perfectly effective, leaving some volatility within the income statement through recognition of this ineffectiveness.

Goodwill

The carrying value of goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable value at the balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment write down.

Goodwill has been allocated for impairment purposes to the cash generating units at which the goodwill is monitored for internal reporting purposes. Each of these cash generating units is represented by an individual reporting segment – Retail, Commercial, Wealth and Institutional.

Impairment testing of purchased goodwill is performed annually, or more frequently where there is an indication that the goodwill may be impaired, by comparing the recoverable value of each cash-generating unit with the current carrying amount of its net assets, including goodwill. Judgment is required in identifying the cash-generating units to which goodwill and other assets are allocated for the purpose of impairment testing.

The recoverable amount is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets within each segment approved by management covering a three year period. Cash flow projections are based on a range of readily available economic assumptions including GDP and CPI. Cash flows beyond the three year period are extrapolated using a 3% growth rate.

These cash flow projections are discounted using a capital asset pricing model. As at March 31, 2013 when the last valuation was prepared, a discount rate of 11.61% was applied to each segment. The main variables in the calculation of the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the regional banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each operating segment.

Management believes any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the ANZ New Zealand Group's carrying amount to exceed its recoverable amount.

As at September 30, 2013 the balance of goodwill recorded as an asset on our consolidated balance sheet as a result of acquisitions was $3,233 million.

Insurance policy assets

Insurance policy assets represent deferred policy acquisition costs less policy liabilities for life investment contracts and life insurance contracts. Policy liabilities are computed using statistical or mathematical models, expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognized actuarial methods, with due regard to relevant actuarial principles and standards. Deferred policy acquisition costs are connected with the measurement basis of the policy liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and the related assets are: the cost of providing the benefits and administering the contracts; mortality and morbidity experience; discontinuance rates; for life investment contracts, the amounts credited to policyholders' accounts compared to the returns on invested assets; interest rates; inflation; rates of taxation; and general market and economic conditions.

As at September 30, 2013 the balance of insurance policy assets recorded as an asset on our consolidated balance sheet was $399 million.

Results of operations

On November 19, 2013, we issued our audited financial statements for the year ended September 30, 2013, which are included in the ANZ New Zealand Financial Statements attached to this Offering Memorandum as Annex A. The table below sets forth our results for the years ended September 30, 2013, 2012 and 2011.

Summary Income Statement

		Year ended September 30,		
NZ$ millions, unless otherwise stated	**2013** **US$ millions**[1]	**2013**[2]	2012[2]	2011[2]
Interest income	**4,958**	**5,957**	6,017	6,179
Interest expense	**2,783**	**3,344**	3,335	3,620
Net interest income	**2,175**	**2,613**	2,682	2,559
Other operating income	**685**	**823**	1,006	856
Net operating income	**2,860**	**3,436**	3,688	3,415
Operating expenses	**1,254**	**1,507**	1,742	1,686
Profit before provision for credit impairment and income tax	**1,606**	**1,929**	1,946	1,729
Provision for credit impairment	**52**	**63**	193	178
Profit before income tax	**1,553**	**1,866**	1,753	1,551
Income tax expense	**409**	**492**	428	452
Profit after income tax	**1,144**	**1,374**	1,325	1,099

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(1) For the convenience of the reader, the financial data for the year ended September 30, 2013 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2013 of NZ$1.00=US$0.8323.

(2) Source: ANZ New Zealand Group audited financial statements.

Year ended September 2013 compared with year ended September 2012 (consolidated results)

For the years ended September 30, 2013 and 2012 results were reported based on four segments: (1) Retail, (2) Commercial (Business Banking, Commercial & Agri and UDC), (3) Wealth and (4) Institutional. These segments are consistent with those reported in the Disclosure Statements under NZ IFRS 8 *Operating Segments* and those used internally for evaluating operating segment performance and deciding how to allocate resources.

Profit after income tax for 2013 increased 4% or $49 million to $1,374 million.

Net interest income decreased 3% in the 2013 year from $2,682 million in 2012 to $2,613 million in 2013. The decrease reflected a contraction in net interest spread of 13 basis points in a competitive environment, partly offset by the positive contribution from lending volume growth. Net interest margin contraction was driven by a greater proportion of customers taking out lower margin fixed rate mortgages and higher funding costs. Lending volumes increased 4% over the 12 months, led by growth in mortgages.

Other operating income decreased 18% from $1,006 million in 2012 to $823 million in 2013. The main factors contributing to this decrease included:

- A gain of $87 million realized on the sale during 2012 of ANZ New Zealand's shareholding in Visa Inc. This investment was originally acquired as part of Visa's initial public offering in 2008.
- A gain of $14 million realized on the sale during 2013 of subsidiary company EFTPOS New Zealand Limited.
- Volatility in the mark-to–market of economic hedge derivatives. Revaluation losses of $34 million were recorded in 2013, compared with revaluation gains of $14 million in 2012. Losses in 2013 reflected negative revaluations of hedges related to the Treasury term funding portfolio, driven by contractions in NZD/USD and NZD/EUR cross-currency basis swap spreads. In 2012, the portfolio also had a negative revaluation driven by a 4 cent appreciation in the NZD versus the USD, and contraction of cross-currency basis swap spreads. These losses in 2012 were more than offset by positive revaluations of interest rate swaps in the mismatch book, driven by interest rate falls.
- Funds management and insurance income decreased $64 million, or 21%. This was mainly driven by volatility in long term interest rates used to discount future cash flows which resulted in a negative revaluation of net insurance policy assets of $35 million compared to a positive revaluation of $34 million in 2012.
- Retail fees increased 3%, mainly from the sale of insurance products.

Operating expenses decreased 13% in 2013 from $1,742 million in 2012 to $1,507 million. The main factors in this decrease were:

- Project and restructuring costs of $22 million were incurred in 2013 compared with $196 million in 2012. This reduction in costs related to the integration of the core banking system, with the project now winding down.
- Excluding the above items, costs decreased 4% compared with 2012. This reflected productivity gains realized from simplifying the business that offset other cost increases.

Provision for credit impairment charge decreased $130 million in 2013. The individual provision charge was $126 million or 50% lower, with loss and recovery rates continuing to improve. The individual provision loss rate (individual provision charge as a percentage of average net advances) for the 2013 year improved 16 basis points to 0.14%. The collective provision result was a release from provision of $62 million, compared with a release of $58 million for the 2012 year. The release from the credit cycle provision in 2013 was $31 million higher than the release in 2012. Excluding this item, the collective provision release was lower than that for 2012, reflecting the impact of higher lending volumes, and a slowing in the rate of improvement in the lending portfolio.

Net interest income

The following table shows our net interest income for the years ended September 30, 2013 and 2012.

	Year ended September 30,	
NZ$ millions	**2013**	2012
Interest income	**5,957**	6,017
Interest expense	**3,344**	3,335
Net interest income	**2,613**	2,682

Net interest income totaled $2,613 million for 2013, a decrease of $69 million or 3% from 2012. Volume/rate analysis of the decrease in net interest income attributed a $122 million increase due to volume growth and a $191 million decrease due to lower net yields or interest spread. Key influences on the result included the following:

Movements in average margin

The overall interest spread decreased 13 basis points from 2.17% to 2.04% during 2013, with the yield on total average interest earning assets decreasing 27 basis points, and the yield on total average interest bearing liabilities declining 14 basis points. Key influences on the result included the following:

- The average yield on loans and advances decreased by 18 basis points from 6.26% in 2012 to 6.08% in 2013. This reflected the impact of competition, particularly in fixed rate mortgages, which has led to a fall in margins. The preference of customers for fixed rate lending during 2013, as opposed to variable rate lending, also increased the proportion of fixed rate mortgages in the lending book.
- The yield on trading securities decreased 25 basis points from 3.96% in 2012 to 3.71% in 2013,

mainly in the liquidity portfolio of fixed rate, non-government bonds and government bonds.

- The average cost of deposits and short-term borrowings decreased 15 basis points from 3.54% in 2012 to 3.39% in 2013. This reflected reduced competition for deposits due to the strong growth in the deposit market overall compared to the loan market.

Movements in average volume

- Average interest earning assets increased $3,820 million or 4% during 2013.
- This increase was mainly in gross loans and advances which increased by $3,029 million or 4% during 2013. This reflected strong growth in the mortgages market and more modest growth in the Business, Commercial and Agri markets.
- Average interest bearing liabilities increased by $3,822 million during 2013.
- Deposits and short term borrowings increased by $4,459 million. This growth was largely in customer deposits. ANZ New Zealand has focused growth initiatives on higher-margin current accounts bearing interest (savings accounts, online call accounts) with competitive pricing on these products compared to term deposits.
- Bonds, notes, long term borrowings and subordinated debt decreased $1,114 million during 2013, due to deposit growth during the year exceeding asset growth.

Other operating income

The following table shows our other operating income for the years ended September 30, 2013 and 2012.

	Year ended September 30,	
NZ$ millions	**2013**	2012
Net fee income	**439**	455
Funds management and insurance income	**234**	298
Net gain on foreign exchange trading	**154**	144
Net gain / (loss) on trading securities and derivatives	**9**	(13)
Share of associate profit	**7**	4
Other income	**(20)**	118
Other operating income	**823**	1,006

Other operating income totaled $823 million for 2013, a decrease of $183 million or 18%, over 2012. Key influences on the result included the following:

- Net fee income decreased $16 million, or 4%. This mainly reflected lower fee income from Business Banking during the year, following the sale of EFTPOS New Zealand Limited.
- Funds management and insurance income decreased $64 million, or 21%. This was mainly driven by volatility in long term interest rates used to discount future cash flows and resulted in a negative revaluation of net insurance policy assets of $35 million in 2013 compared to a positive revaluation of $34 million in 2012.
- The aggregate of net foreign exchange trading gains and gains on trading securities increased $32 million in 2013. This mainly reflected an improved result from the revaluation of the liquidity portfolio driven by strong demand for bonds during the first half of the year; and stronger FX earnings in the clearing business.
- Other income decreased $138 million due to:
  - Volatility in the mark-to-market of economic hedge derivatives. Revaluation losses of $34 million were recorded in 2013, compared with revaluation gains of $14 million in 2012. Losses in 2013 reflected negative revaluations of hedges related to the Treasury term funding portfolio, driven by a contraction in NZD/USD and EUR/NZD cross-currency basis swap spreads. In 2012, the portfolio also had a negative revaluation, driven by a 4 cent appreciation in the NZD versus the USD, and contraction of cross-currency basis swap spreads. These losses in 2012 were more than offset by positive revaluations of interest rate swaps in the mismatch portfolio, driven by interest rate falls.
  - Gain realized on the sale during 2012 of ANZ New Zealand’s shareholding in Visa Inc. ($87 million).

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2013 and 2012.

NZ$ millions	Year ended September 30, 2013	2012
Personnel costs	**833**	942
Premises and equipment costs	**171**	206
Other costs	**503**	594
Operating expenses	**1,507**	1,742

Operating expenses totaled $1,507 million for 2013, a decrease of $235 million or 13% over 2012. Key influences on the result included the following:

- Personnel costs decreased $109 million, or 12%. This reduction in costs related to the integration of the core banking system, with the project now winding down ($68 million lower) and the associated reduction in full-time equivalent employees. The remainder of the reduction reflected the productivity gains from simplifying the business.
- Premises and equipment costs decreased $35 million or 17%, with the wind-down of the integration of the core banking system accounting for $26 million of the decrease. The remainder reflected lower rental and depreciation costs.
- Other costs decreased $91 million or 15%, with the integration of the core banking system accounting for $80 million of the decrease. The head office group charge paid to ANZBGL was $14 million lower due to a refund arising from a change in charging methodology.

Provision for credit impairment

Provision for credit impairment charge totaled $63 million for 2013, a decrease of $130 million compared with 2012.

- The individual provision charge was $126 million lower, with loss and recovery rates continuing to improve. The individual provision loss rate (individual provision charge as a percentage of average net loans and advances) for the 2013 year improved 16 basis points to 0.14%.
- The collective provision was a release from provision of $62 million, compared with a release of $58 million for the 2012 year. This result included a release of credit cycle provision that was $31 million higher in 2013 than the release in 2012. Excluding this item, the collective provision release was lower than that for 2012, reflecting the impact of higher lending volumes, and a slowing in the rate of improvement in the lending book.

Summary Balance Sheet

NZ$ millions (unless otherwise stated)	2013 US$ millions[1]	2013	As at September 30, 2012[3]	2011[3]
Assets				
Liquid assets	**2,077**	**2,496**	2,831	2,455
Due from other financial institutions	**1,307**	**1,570**	1,722	4,629
Trading securities	**8,589**	**10,320**	12,338	9,466
Derivative financial instruments	**7,922**	**9,518**	12,753	15,635
Current tax assets	**-**	**-**	15	-
Available-for-sale assets	**651**	**782**	57	411
Net loans and advances	**75,314**	**90,489**	86,678	83,610
Investments relating to insurance business	**143**	**172**	142	97
Insurance policy assets[3]	**332**	**399**	408	200
Shares in associates and jointly controlled entities	**82**	**98**	99	100
Other assets	**608**	**731**	592	863
Deferred tax assets	**32**	**39**	93	139
Premises and equipment	**313**	**376**	323	325
Goodwill and other intangibles	**2,870**	**3,448**	3,505	3,510
Total assets	**100,241**	**120,438**	121,556	121,440

Liabilities				
Due to other financial institutions	**1,263**	**1,517**	1,759	3,711
Deposits and other borrowings	**64,667**	**77,697**	73,652	69,238
Due to Immediate Parent Company[2]	**782**	**939**	740	174
Derivative financial instruments	**8,525**	**10,243**	13,930	15,118
Payables and other liabilities[3]	**1,419**	**1,705**	1,792	2,654
Current tax liabilities	**2**	**3**	-	17
Provisions	**191**	**229**	339	309
Bonds and notes	**12,896**	**15,494**	17,244	17,406
Loan capital	**952**	**1,144**	1,168	1,988
Total liabilities	**90,697**	**108,971**	110,624	110,615
Total equity	**9,544**	**11,467**	10,932	10,825

(1) For the convenience of the reader, the financial data for the year ended September 30, 2013 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2013 of NZ$1.00=US$0.8323.

(2) Represents amounts due to ANZ Holdings (New Zealand) Limited, the immediate parent company of ANZ New Zealand.

(3) Certain amounts in the September 30, 2012 comparative information have been reclassified to ensure consistency with the current year's presentation. As at September 30, 2012 $107 million was added to both assets and liabilities. As a result of this reclassification, the total assets and liabilities for 2011 are not comparable to those items for 2013 and 2012.

Other Banking Data

	RBNZ Minimum	September, 30	
		2013	2012
Capital adequacy ratios under Basel III			
Common Equity Tier 1 capital (%)	**4.5**	**10.4**	n/a
Tier 1 capital (%)	**6.0**	**10.8**	n/a
Total capital (%)	**8.0**	**12.4**	n/a
Capital adequacy ratios under Basel II			
Tier 1 capital (%)	**4.0**	**n/a**	10.8
Total capital (%)	**8.0**	**n/a**	12.4
Risk-weighted exposures (NZ$ millions) under Basel III[1]		**72,193**	n/a
Risk-weighted exposures (NZ$ millions) under Basel II[1]		**n/a**	67,130

(1) Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by the RBNZ.

Total assets decreased $1,118 million, from $121,556 million at September 30, 2012 to $120,438 million at September 30, 2013. Key influences on the movement in assets included:

- Assets held for liquidity purposes comprise liquid assets, balances due from other financial institutions, trading securities, and available-for-sale assets. These assets in aggregate decreased $1,780 million ($15,168 million at September 30, 2013 and $16,948 million at September 30, 2012). The reduction in liquid assets was primarily due to a higher than target level being held in September 30, 2012 as a result of the issuance of term debt in September 2012.
- The balance of derivative financial instruments reflects the revaluation of these instruments to market value. The net balance of asset and liability positions decreased $452 million from a net liability of $1,177 million as at September 30, 2012 to a net liability of $725 million as at September 30, 2013. This decrease reflected positive revaluations of NZD/USD foreign exchange contracts, driven by a weakening in the NZD during the first three quarters of the year. Appreciation of the NZD during the final quarter moderated the overall impact.
- Net loans and advances increased $3,811 million, or 4%, at September 30, 2013 compared to September 30, 2012. Gross loans and advances increased $3,589 million, with $3,440 million of this being in term loans – housing. The provision for credit impairment decreased by $228 million to $826 million at September 30, 2013, which is netted against gross loans and advances.
- Other assets increased by $139 million driven by a higher value of unsettled security sales at September 30, 2013.

Total liabilities decreased by $1,653 million, from $110,624 million at September 30, 2012 to $108,971 million at September 30, 2013. Key influences on the movement in liabilities included:

- Deposits and other borrowings increased $4,045 million, or 5%, at September 30, 2013 compared to September 30, 2012. Customer deposits increased $4,517 million or 7%. The strong growth reflected ANZ New Zealand's focus on strengthening its balance sheet while supporting higher lending growth.
- The balance due to other financial institutions decreased $242 million. This decrease was mainly due to a reduction in balances due to other ANZ Group entities.
- Bonds and notes decreased $1,750 million during the year. The decline reflects the growth in deposits. During the year, there were issuances of $2.3 billion; a positive FX impact of $0.7 billion; and maturities of $4.7 billion.

Year ended September 2013 compared with year ended September 2012 (results by segment).

The following segments were reported principally based on major customer groups:

- Retail
- Commercial
- Wealth
- Institutional
- Other includes treasury and back office support functions, none of which constitutes a separately reportable segment

The following table shows the results of our business segments for the year ended September 30, 2013:

	Year ended September 30,	
NZ$ millions	**2013**	2012
Retail	**335**	304
Commercial	**688**	591
Wealth	**54**	90
Institutional	**281**	313
Other	**16**	27
Profit after income tax	**1,374**	1,325

Retail

NZ$ millions	Year ended September 30, 2013	2012
Net interest income	**839**	822
Other operating income	**331**	323
Net operating income	**1,170**	1,145
Operating expenses	**650**	670
Profit before provision for credit impairment and income tax	**520**	475
Provision for credit impairment	**55**	54
Profit before income tax	**465**	421
Income tax expense	**130**	117
Profit after income tax	**335**	304
Loans and advances	**28,631**	26,904
Deposits	**32,077**	30,538

Retail profit after income tax of $335 million for the 2013 year increased 10% compared to 2012.

- Net interest income increased 2%, driven by lending volume growth and partly offset by margin contraction. Net interest margin contraction was driven by competitive pressure, and unfavorable lending mix from an increased proportion of fixed rate lending in the mortgage book. Other operating income increased 2%, mainly from stronger sales of insurance products.

- Operating costs were 3% lower. This was driven primarily by productivity gains that are reflected in lower staff numbers, and an optimized branch network (fewer branches, coverage maintained). These savings offset other cost increases.

- The provision for credit impairment charge increased $1 million, reflecting lending growth and stable credit conditions.

- Loans and advances increased 6%, partly reflecting a lower volume of mortgages held in the New Zealand Branch of ANZBGL. Deposit volumes grew by 5% during the year.

Commercial

NZ$ millions	Year ended September 30, 2013	2012
Net interest income	**1,299**	1,327
Other operating income	**127**	124
Net operating income	**1,426**	1,451
Operating expenses	**488**	505
Profit before provision for credit impairment and income tax	**938**	946
Provision for credit impairment	**(12)**	128
Profit before income tax	**950**	818
Income tax expense	**262**	227
Profit after income tax	**688**	591
Loans and advances	**53,584**	51,757
Deposits	**20,167**	19,106

The Commercial business comprises Business Banking, Commercial & Agri and UDC.

Commercial profit after income tax of $688 million for the 2013 year increased 16% compared with 2012.

- Net interest income decreased 2%. This reflected net interest margin contraction across both the Commercial & Agri and Business Banking portfolios, partly offset by the positive impact from lending volume growth. Other operating income increased 2%, reflecting a gain on sale of EFTPOS New Zealand Limited ($14 million) during the year which was partly offset by revenue forgone following the sale.

- Operating costs were 3% lower. This was driven primarily by productivity gains reflected in lower staff numbers and reduced discretionary expenditure.

- The provision for credit impairment declined by $140 million in 2013. The individual provision charge was $134 million lower than 2012, with the loss rate improving 27 basis points to 0.07%. Strong credit processes have ensured the continuation of the downward trend in delinquencies and maintained high recovery and rehabilitation rates. Loans and advances increased 4%, with the main growth in Business Banking mortgages. Deposit volumes increased by 6% during the year.

Wealth

	Year ended September 30,	
NZ$ millions	**2013**	2012
Net interest income	**36**	26
Other operating income	**157**	228
Net operating income	**193**	254
Operating expenses	**136**	145
Profit before provision for credit impairment and income tax	**57**	109
Provision for credit impairment	**(1)**	1
Profit before income tax	**58**	108
Income tax expense	**4**	18
Profit after income tax	**54**	90
Loans and advances	**1,456**	1,244
Deposits	**4,687**	4,545

Wealth profit after income tax of $54 million for the 2013 year decreased 40% compared to 2012, with the result affected by volatility in the revaluation of net insurance policy assets.

- Net interest income increased $10 million, driven by improved deposit margins. Other operating income decreased $71 million. This was mainly driven by volatility in long term interest rates used to discount future cash flows which resulted in a negative revaluation of net insurance policy assets of $35 million compared to a positive revaluation of $34 million in 2012. Excluding this item, other operating income was marginally lower, with lower income from insurance partly offset by growth in funds management income.

- Operating costs were 6% lower, reflecting productivity gains.

- The provision for credit impairment charge decreased $2 million, reflecting recoveries during 2013.

Institutional

	Year ended September 30,	
NZ$ millions	**2013**	2012
Net interest income	**351**	408
Other operating income	**253**	228
Net operating income	**604**	636
Operating expenses	**199**	200
Profit before provision for credit impairment and income tax	**405**	436
Provision for credit impairment	**21**	11
Profit before income tax	**384**	425
Income tax expense	**103**	112
Profit after income tax	**281**	313
Loans and advances	**6,818**	6,773
Deposits	**13,564**	11,788

Institutional profit after income tax of $281 million for the 2013 year decreased 10% compared with the 2012 year.

- Net operating income decreased 5% driven by a lower contribution from the Markets sales businesses, with trading volumes subdued as a result of the high NZD. Revenue from Global Loans was lower. This reflected a highly competitive sector with net interest margin reduced and lending growth constrained.

This was partly offset by stronger revenues from Transaction Banking in the Trade and Clearing businesses, including strong growth in deposits.

- We believe costs were well managed, with total operating expenses 1% lower than 2012.
- The provision for credit impairment increased $10 million compared with 2012, reflecting provision for a single name exposure.

Other

NZ$ millions	Year ended September 30, **2013**	2012
Profit after income tax	**16**	27

Other businesses mainly comprise support and Treasury functions that are centrally managed, with costs substantially charged to the operating business units, including (i) the shareholder functions unit, which holds the ANZ New Zealand Group's equity, including subordinated debt; (ii) certain significant items including the costs of organizational restructuring; and (iii) non-core items, including volatility related to derivatives entered into to manage interest rate and foreign exchange risk that are not designated in accounting hedge relationships but are considered to be economic hedges.

The result in 2013 reflected the following:

- Mark-to-market of economic hedges. Revaluation losses of $34 million were recorded in 2013, compared with revaluation gains of $14 million in 2012. Losses in 2013 reflected negative revaluations of hedges related to the Treasury term funding portfolio, driven by contractions in NZD/USD and NZD/EUR cross-currency basis swap spreads. In 2012, the portfolio also had a negative revaluation, driven by a 4 cent appreciation in the NZD versus the USD, and contraction of cross-currency basis swap spreads. In 2012 these losses were more than offset by positive revaluations of interest rate swaps in the mismatch portfolio, driven by interest rate falls.
- Project costs incurred in relation to the move to a single banking technology platform. These costs totaled $22 million ($16 million after tax) in 2013; and $196 million ($141 million after tax) in 2012. The reduction reflected completion of the majority of the project in 2012.
- Gain realized on the sale during 2012 of ANZ New Zealand's shareholding in Visa Inc. ($87 million). This investment was originally acquired as part of Visa's initial public offering in 2008.

Year ended September 2012 compared with year ended September 2011 (consolidated results)

For the years ended September 30, 2012 and 2011 results were reported based on four segments: (1) Retail, (2) Commercial (Business Banking, Commercial & Agri and UDC), (3) Wealth and (4) Institutional. These segments are consistent with those reported in the Disclosure Statements under NZ IFRS 8 *Operating Segments* and those used internally for evaluating operating segment performance and deciding how to allocate resources.

Profit after income tax for 2012 increased 21% or $226 million to $1,325 million.

Net interest income increased 5% in the 2012 year from $2,559 million in 2011 to $2,682 million in 2012, driven by net interest margin improvement. Drivers of this improvement included an increased proportion of variable rate lending in the mortgage portfolio, reduced unproductive balances, and lower mortgage break costs. Lending volumes increased 4% over the year, led by growth in mortgages. Simplification and improvement of lending processes implemented during the second half of the year assisted this growth. A 7% increase in customer deposits resulted in that lending growth being self-funded.

Other operating income increased 18% from $856 million in 2011 to $1,006 million. The main factors contributing to this increase included:

- Gain realized on the sale during 2012 of ANZ New Zealand's shareholding in Visa Inc. ($87 million). This investment was originally acquired as part of Visa's initial public offering in 2008.
- Volatility in the mark-to–market of economic hedge derivatives. Revaluation gains of $13 million were recorded in 2012, compared with revaluation losses of $106 million in 2011. Hedges related to the management of balance sheet interest rate risk and funding were the main contributors to these results. In 2011 the result comprised amortization of losses on hedges no longer in hedging relationships. In 2012, amortized losses were more than offset by positive revaluations of economic hedges that benefited from the falling rate environment. In 2011, economic hedges related to foreign currency funding revalued negatively due to appreciation of the NZD over the year. In 2012, revaluation losses related to foreign currency funding were largely incurred in the month of September

with the NZD appreciating more than 3 cents against the USD during the month.

- Wealth achieved stronger revenues from insurance, driven by favorable lapse rates and claims experience; and from increased funds management income due to an increase in funds under management.
- The 2011 result included earnings on ANZ New Zealand's interest in the ING Diversified Yield ("DYF") and the ING Regular Income ("RIF") funds ($79 million). The sale of the underlying assets in these funds was completed during the first half of 2011.

Operating expenses increased 3% in 2012 from $1,686 million in September 2011 to $1,742 million. The main factors in this increase were:

- Project and restructuring costs of $192 million were incurred in 2012 (compared with $162 million in 2011) in relation to the Bank's simplification program, which included moving to a single technology banking platform.
- The head office group charge paid to the ultimate parent ANZBGL was $19 million higher. This was driven by a methodology change in 2011 which resulted in partial refunds of prior year charges being received in that year.
- Excluding the above items, costs were substantially at the same level as in 2011. This reflected productivity gains realized from simplifying the business that offset other cost increases.
- Provision for credit impairment charge increased $15 million in 2012. The individual provision charge was $58 million lower, with loss and recovery rates continuing to improve. The individual provision loss rate (individual provision charge as percentage of average net advances) for the 2012 year improved 6 basis points to 0.30%. The collective provision result was a release from provision of $58 million, compared with a release of $131 million for the 2011 year. This lower level of release reflected a slowing in the rate of improvement in the lending book ($49 million) and a reduction in the release of the credit cycle component ($24 million).

Net interest income

The following table shows our net interest income for the years ended September 30, 2012 and 2011.

	Year ended September 30,	
NZ$ millions	**2012**	2011
Interest income	**6,017**	6,179
Interest expense	**3,335**	3,620
Net interest income	**2,682**	2,559

Net interest income totaled $2,682 million for 2012, an increase of $123 million or 5% from 2011. Volume/rate analysis of the increase in net interest income attributed a $113 million increase due to volume and a $10 million increase due to improved net yields or interest spread. However, this was mainly influenced by the increase in the volumes of non-government bonds in the liquidity portfolio, and lower interest earning bonds replacing higher interest earning bonds. Key influences on the result included the following:

Movements in average margin

The overall interest spread increased 6 basis points from 2.11% to 2.17% during 2012, with the yield on total average interest earning assets decreasing 33 basis points, and the yield on total average interest bearing liabilities declining 39 basis points. Key influences on the result included the following:

- The average yield on loans and advances decreased by 12 basis points from 6.38% in 2011 to 6.26% in 2012. This reflected lower yields on the variable rate book driven by a fall in Official Cash Rate (OCR), and the re-pricing profile of the fixed rate book. The OCR was steady at 2.50% throughout 2012, after declining 50 basis points during March 2011.
- The yield on trading securities decreased 82 basis points, mainly in the liquidity portfolio of fixed rate, non-government bonds and government stock, with yield decline reflecting lower interest earning bonds replacing higher interest earning bonds.
- The average cost of deposits and short-term borrowings decreased 33 basis points from 3.87% in 2011 to 3.54% in 2012. This reflected the impact of the lower OCR on savings and call products, and the re-pricing profile of the term deposits.

Movements in average volume

- Average interest earning assets increased $2,824 million or 3% during 2012.
- Average trading securities increased by $2,820 million or 33% in 2012, mainly reflecting growth in the

liquidity portfolio, including government stock, semi-government securities, and AAA-rated non-government bonds.

- Gross loans and advances decreased by $662 million or 1% during 2012. This reduction was mainly in the Agri book, with the impact of de-leveraging remaining significant in that sector and with the business focused on improving the quality of the book. This was partly offset by growth in home lending volumes, particularly during the second half of the 2012 financial year.
- Average interest bearing liabilities increased by $1,516 million during 2012, with the largest component being an increase in deposits and short term borrowings.
- Deposits and short term borrowings increased by $1,829 million. This growth was largely in customer deposits, with businesses encouraged to self-fund their asset growth. ANZ New Zealand has also focused growth initiatives on higher margin current accounts bearing interest (savings accounts, online call accounts) with competitive pricing on these products compared to term deposits.
- Bonds, notes, and long term borrowings decreased $1,058 million during 2012, reflecting a reduction in the funding gap during the year driven by strong growth in customer deposits and a reduction in average lending volumes.

Other operating income

The following table shows our other operating income for the years ended September 30, 2012 and 2011.

	Year ended September 30,	
NZ$ millions	**2012**	2011
Net fee income	**455**	449
Funds management and insurance income	**298**	265
Net gain on foreign exchange trading	**144**	137
Net gain / (loss) on trading securities and derivatives	**(13)**	91
Share of profit of equity accounted associates and jointly controlled entities	**4**	4
Other income	**118**	(90)
Other operating income	**1,006**	856

Other operating income totaled $1,006 million for 2012, an increase of $150 million or 18%, over 2011. Key influences on the result included the following:

- Net fee income increased $6 million or 1%, reflecting re-pricing of some Retail fees during the first half of 2011 and growth in merchant service fees driven by increased turnover and transaction volumes.
- Funds management and insurance income increased $33 million, or 12%. This mainly reflected the positive revaluation of net policyholder assets during 2012 driven by a fall in long term interest rates ($30 million higher). Wealth also achieved income growth from its insurance business driven by favorable claims experience and lapse rates; and from increased funds management income due to an increase in funds under management. This was partly offset by lower income from Property following the sale of that business during the first half of 2011.
- The aggregate of net foreign exchange trading gains and gains on trading securities decreased $97 million in 2012. Institutional's Markets Sales and Trading businesses achieved revenue growth, but this was more than offset by two factors: the 2011 result included earnings on ANZ New Zealand's interest in the DYF and RIF funds ($79 million) that was not repeated in 2012 following the unwinding of the structure during 2011; and volatility in the revaluation of the liquidity portfolio that resulted in strong gains in 2011 that were not matched in 2012 ($31 million lower).

Other income increased $208 million due to:

- Volatility in the mark-to-market of hedge derivatives, which resulted in revaluation gains of $13 million in 2012, compared with revaluation losses of $106 million in 2011. In 2011 the balance sheet interest rate hedges result comprised amortization of losses on hedges no longer in hedging relationships. In 2012, amortized losses were more than offset by positive revaluations of economic hedges that benefited from the falling rate environment. In 2011, economic hedges related to the foreign currency funding revalued negatively due to appreciation of the NZD over the year. In 2012, revaluation losses on foreign currency funding were largely incurred in September with the NZD appreciating more than 3 cents against the USD during the month.
- Gain realized on the sale during 2012 of ANZ New Zealand's shareholding in Visa Inc. ($87 million).

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2012 and 2011.

	Year ended September 30,	
NZ$ millions	**2012**	2011
Personnel costs	**880**	899
Premises and equipment costs	**176**	174
Core system simplification costs	**192**	162
Other costs	**494**	451
Operating expenses	**1,742**	1,686

Operating expenses totaled $1,742 million for 2012, an increase of $56 million or 3% over 2011. Key influences on the result included the following:

- Personnel costs decreased $19 million, or 2%. This decrease reflected productivity gains driven by simplifying the business resulting in a reduction in staff numbers. At September 2012, total staff numbers were 9,186, down 369 from September 2011. These productivity gains more than offset other cost increases.
- Premises and equipment costs were held substantially flat at 2011 levels.
- Core system simplification costs of $192 million were incurred in 2012, compared with $162 million in 2011. These costs relate to ANZ New Zealand's move to a single banking technology platform.
- Other costs increased 10%. This result included: higher head office group charge paid to ANZBGL ($19 million), reflecting non-repeated refunds received in the 2011 year due to a change in charging methodology; increased software maintenance costs driven by software upgrades and a new maintenance contract; higher amortization costs driven by software development and purchases; and higher insurance costs.

Provision for credit impairment

Provision for credit impairment charge totaled $193 million for 2012, an increase of $15 million compared with 2011.

- The individual provision charge was $58 million lower, with loss and recovery rates continuing to improve across all the businesses except Institutional. The individual provision charge in Institutional increased $16 million, reflecting recoveries on a single name exposure in the 2011 year. The individual provision loss rate (individual provision charge as percentage of average net loans and advances) for the 2012 year improved 6 basis points to 0.30%.
- The collective provision was a release from provision of $58 million, compared with a release of $131 million for the 2011 year. This lower level of release reflected a slowing in the rate of improvement in the lending book ($49 million) and a reduction in the release of the credit cycle component ($24 million).

Summary Balance Sheet

NZ$ millions (unless otherwise stated)	2012 US$ millions[1]	2012	2011	2010[3]
Assets				
Liquid assets	**2,348**	**2,831**	2,455	2,238
Due from other financial institutions	**1,428**	**1,722**	4,629	3,496
Trading securities	**10,232**	**12,338**	9,466	6,757
Derivative financial instruments	**10,576**	**12,753**	15,635	10,367
Current tax assets	**12**	**15**	-	25
Available-for-sale assets	**47**	**57**	411	2,151
Net loans and advances	**71,882**	**86,678**	83,610	85,913
Investments relating to insurance business	**118**	**142**	97	87
Insurance policy assets	**250**	**301**	200	138
Due from Immediate Parent Company	**-**	**-**	-	6
Shares in associates and jointly controlled entities	**82**	**99**	100	144
Other assets	**491**	**592**	863	965
Deferred tax assets	**77**	**93**	139	312
Premises and equipment	**268**	**323**	325	311
Goodwill and other intangibles	**2,907**	**3,505**	3,510	3,548
Total assets	**100,718**	**121,449**	121,440	116,458
Liabilities				
Due to other financial institutions	**1,459**	**1,759**	3,711	1,819
Deposits and other borrowings	**61,080**	**73,652**	69,238	70,295
Due to Immediate Parent Company[2]	**614**	**740**	174	-
Derivative financial instruments	**11,552**	**13,930**	15,118	10,715
Payables and other liabilities	**1,397**	**1,685**	2,654	1,700
Current tax liabilities	**-**	**-**	17	-
Provisions	**281**	**339**	309	315
Bonds and notes	**14,300**	**17,244**	17,406	18,761
Loan capital	**969**	**1,168**	1,988	2,407
Total liabilities	**91,652**	**110,517**	110,615	106,012
Total equity	**9,066**	**10,932**	10,825	10,446

Other Banking Data

	RBNZ Minimum	September, 30 2012	2011
Capital adequacy ratios under Basel II			
Tier 1 Capital (%)	**4.0**	**10.8**	10.0
Total Capital (%)	**8.0**	**12.5**	12.7
Risk-weighted exposures (NZ$ millions)[4]		**67,130**	70,837

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(1) For the convenience of the reader, the financial data for the year ended September 30, 2012 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2012 of NZ$1.00=US$0.8293.

(2) Represents amounts due to ANZ Holdings (New Zealand) Limited, the immediate parent company of ANZ New Zealand.

(3) In years prior to the year ended September 30, 2012, collateral received and paid on derivative financial instruments was netted against derivative financial instruments assets and liabilities respectively. For the year ended September 30, 2012 these amounts were reclassified to amounts due to and from financial institutions respectively to reflect more accurately the nature of these balances. Comparative data as at September 30, 2011 has been restated accordingly. As at September 30, 2011 collateral received of $1,475 million was reclassified from derivative financial instrument assets to due to other financial institutions and collateral paid of $944 million was reclassified from derivative financial instrument liabilities to due from other financial institutions. As a result of this reclassification, due from financial institutions, derivative financial instrument assets, total assets, due to financial institutions, derivative financial instrument liabilities and total liabilities for 2010 are not comparable to those items for 2012 and 2011.

(4) Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by the RBNZ.

Total assets increased $9 million, from $121,440 million at September 30, 2011 to $121,449 million at September 30, 2012. Key influences on the movement in assets included:

- The aggregate of liquid assets, balances due from other financial institutions, trading securities, and available-for-sale assets was at high levels at the end of both financial years ($16,948 million at

September 30, 2012 and $16,961 million at September 30, 2011). The high balance in 2011 was due to large cash inflows to derivative collateral accounts driven by a sharp fall in the NZD in September 2011. In September 2012, liquidity was elevated due to term issuances, which included around $1.6 billion of pre-funding for the 2013 financial year.

- The balances of derivative financial instruments reflect the revaluation of these instruments to market value. The net balance of asset and liability positions decreased $1,694 million from a net asset of $517 million as at September 30, 2011 to a net liability of $1,177 million as at September 30, 2012. This movement reflected an increase in unrealized losses driven by appreciation of the NZD. The position at September 2011 reflected unrealized gains from a rapid depreciation in the NZD during the month.
- Net loans and advances increased $3,068 million, or 4%, at September 30, 2012 compared to September 30, 2011. Gross loans and advances increased $2,938 million, with $2,487 million of this being in term loans – housing. The balance of provisions for credit impairment, which is netted against gross loans and advances, decreased by $102 million at September 30, 2012 compared with September 30, 2011.
- Other assets reduced by $271 million, due to a lower level of security trades pending settlement at September 30, 2012.

Total liabilities decreased by $98 million, from $110,615 million at September 30, 2011 to $110,517 million at September 30, 2012. Key influences on the movement in liabilities included:

- Deposits and other borrowings increased $4,414 million, or 6%, at September 30, 2012 compared to September 30, 2011. Customer deposits increased $4,057 million or 7%. This strong growth reflected ANZ New Zealand's focus on deposit gathering, particularly in the latter part of the year.
- The balance due to other financial institutions decreased $1,952 million. This decrease mainly comprised a reduced liability for collateral received, driven by the sharp fall in the NZD during September 2011, as discussed above under assets.
- Bonds and notes decreased $162 million during the year. A decline in the funding gap during the year reduced the level of term issuances required during 2012.
- Loan capital decreased $820 million, largely reflecting early repayment of Tier 2 capital. No new issuance was undertaken pending finalization of Basel III requirements.

Year ended September 2012 compared with year ended September 2011 (results by segment).

The following segments were reported principally based on major customer groups:

- Retail
- Commercial
- Wealth
- Institutional
- Other includes treasury and back office support functions, none of which constitutes a separately reportable segment

The following table shows the results of our business segments for the year ended September 30, 2012:

	Year ended September 30,	
NZ$ millions	**2012**	2011
Retail	**284**	205
Commercial	**606**	583
Wealth	**86**	100
Institutional	**315**	345
Other	**34**	(134)
Profit after income tax	**1,325**	1,099

Retail

NZ$ millions	Year ended September 30, 2012	2011
Net interest income	**807**	725
Other operating income	**324**	319
Net operating income	**1,131**	1,044
Operating expenses	**683**	685
Profit before provision for credit impairment and income tax	**448**	359
Provision for credit impairment	**54**	66
Profit before income tax	**394**	293
Income tax expense	**110**	88
Profit after income tax	**284**	205
Loans and advances	**26,904**	26,475
Deposits	**30,538**	32,430

Retail profit after income tax of $284 million for the 2012 year increased 39% compared with 2011, with the result including a $12 million ($9 million after tax) reduction in credit impairment charge and an $8 million benefit from a reduction in the corporate tax rate from 30% to 28%.

- Profit before provisions increased 25%, driven by growth in net operating income of 8% compared with 2011 and control of costs. Net operating income growth was largely due to an increase in net interest income of 11%. This was margin-driven, including a favorable lending mix due to an increased proportion of variable rate lending in the mortgage book, and lower mortgage break costs. Other operating income increased 2%, mainly from re-pricing of fees during 2011 and increased earnings from foreign exchange commissions.
- Operating costs were held flat at 2011 levels. This was driven primarily by productivity gains due to lower staff numbers, and by control of discretionary expenditure. These savings offset other cost increases.
- The provision for credit impairment charge decreased $12 million with credit quality continuing to improve.
- Loans and advances increased 3%. This growth was self-funded, with the business growing deposit volumes by 9% during the year.

Commercial

NZ$ millions	Year ended September 30, 2012	2011
Net interest income	**1,333**	1,337
Other operating income	**135**	129
Net operating income	**1,468**	1,466
Operating expenses	**501**	495
Profit before provision for credit impairment and income tax	**967**	971
Provision for credit impairment	**128**	138
Profit before income tax	**839**	833
Income tax expense	**233**	250
Profit after income tax	**606**	583
Loans and advances	**51,757**	49,590
Deposits	**19,106**	17,804

The Commercial business comprises Business Banking, Commercial & Agri and UDC.

Commercial profit after income tax of $606 million for the 2012 year increased 4% compared with 2011, with the result including a $10 million ($7 million after tax) decrease in credit impairment charge and a $16 million benefit from a reduction in the corporate tax rate from 30% to 28%.

- Net operating income for the year was flat. The Business Banking contribution was strong, achieving increased net interest income from balance sheet growth and from improved margins. Commercial & Agri's lending growth was more subdued, with deleveraging still a factor, and net interest margin contracted with new business written at lower margins in a competitive sector.

- Operating expenses were well managed, with growth held to 1%.
- The provisioning charge was $10 million lower with the individual provision loss rates continuing to improve. This was partly offset by a lower collective provision release, including a reduced credit cycle component.

Wealth

NZ$ millions	Year ended September 30, 2012	2011
Net interest income	**21**	17
Other operating income	**228**	274
Net operating income	**249**	291
Operating expenses	**145**	154
Profit before provision for credit impairment and income tax	**104**	137
Provision for credit impairment	**1**	-
Profit before income tax	**103**	137
Income tax expense	**17**	37
Profit after income tax	**86**	100
Loans and advances	**1,244**	1,284
Deposits	**4,545**	4,496

Wealth profit after income tax of $86 million for the 2012 year decreased 14% compared with 2011, with the 2011 result including earnings from ANZ New Zealand's interest in the DYF and RIF funds ($79 million, or $48 million after tax).

Net operating income was 14% lower. The main drivers of this result were:

- Lower earnings from the DYF and RIF funds ($79 million). The sale of the underlying assets in the funds was completed during 2011 and the structure fully unwound.
- Higher income from the revaluation of net policyholder assets ($30 million), with a positive revaluation in 2012 driven by a fall in long term interest rates.
- Growth in funds under management resulting in higher management fees and in-force premiums, and improved deposit margins in Private Banking.
- Costs decreased 6%, driven by efficiency gains from business restructure.

Institutional

NZ$ millions	Year ended September 30, 2012	2011
Net interest income	**407**	401
Other operating income	**216**	239
Net operating income	**623**	640
Operating expenses	**184**	177
Profit before provision for credit impairment and income tax	**439**	463
Provision for credit impairment	**11**	(26)
Profit before income tax	**428**	489
Income tax expense	**113**	144
Profit after income tax	**315**	345
Loans and advances	**6,773**	6,736
Deposits	**11,788**	11,685

Institutional profit after income tax of $315 million for the 2012 year decreased 9% compared with the 2011 year, with the result including a $37 million ($27 million after tax) increase in credit impairment charge and a $9 million benefit from a reduction in the corporate tax rate from 30% to 28%.

- Net operating income decreased 3% driven by volatility in the revaluation of the liquidity portfolio, with the 2012 result not matching the strong positive revaluation in 2011 ($35 million lower). Net operating income from the core Markets businesses was $16 million higher, with stronger contributions from both Trading and Sales. The net operating income contribution from Global Loans and Transaction Banking was lower, mainly driven by margin pressure in Global Loans. Lending and deposit volumes were largely flat for the year.

- Total operating expenses increased 4% to $184 million, driven by business investment including technology projects.
- The provision for credit impairment increased $37 million compared with the 2011 year. The individual provision charge was $15 million higher, reflecting recoveries in 2011 on a single name exposure. The collective provision charge was $22 million higher, reflecting a slowing in risk improvement and the unfavorable impact from tenor changes.

Other

	Year ended September 30,	
NZ$ millions	**2012**	2011
Profit after income tax	**34**	(134)

Other businesses mainly comprise support and Treasury functions that are centrally managed, with costs substantially charged to the operating business units, including (i) the shareholder functions unit, which holds the ANZ New Zealand Group's equity, including subordinated debt; (ii) certain significant items including the costs of organizational restructuring; and (iii) non-core items, including volatility related to derivatives entered into to manage interest rate and foreign exchange risk that are not designated in accounting hedge relationships but are considered to be economic hedges.

The improved result in 2012 reflected the following:

- Gain realized on the sale during 2012 of our shareholding on Visa Inc. ($87 million after tax).
- Volatility related to economic hedges. Revaluation gains of $13 million ($9 million after tax) were recorded in 2012, compared with revaluation losses of $106 million ($74 million after tax) in 2011. Hedges related to the management of interest rate risk in the balance sheet and funding books were the main contributors to these results. In 2011 the balance sheet result comprised amortization of losses on hedges no longer in hedging relationships. In 2012, amortized losses were more than offset by positive revaluations of economic hedges in the balance sheet that benefited from the falling rate environment. In 2011, economic hedges related to foreign currency funding revalued negatively due to appreciation of the NZD over the year. In 2012, revaluation losses on foreign currency funding were largely incurred in September with the NZD appreciating more than 3 cents against the USD during the month.
- Higher project costs incurred in relation to the move to a single banking technology platform and a simplified regional structure that is intended to deliver operating efficiencies and improve service levels and business outcomes ($29 million, $21 million after tax).

Average balance sheet and interest income / expense

The following table shows the major categories of interest earning assets and interest bearing liabilities and the respective interest rates that ANZ New Zealand earned or paid for the periods indicated. Average balances used are predominantly daily averages for interest bearing items and monthly averages for non-interest bearing items. Interest income figures include interest income on non-accrual loans to the extent cash payments in the nature of interest have been received. Non-accrual loans are included under the interest earning asset category "Gross loans, advances and other receivables".

									Year ended September 30,
			2013			2012			2011
NZ$ millions (unless otherwise stated)	**Average balance**	**Interest**	**Average rate (%)**	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Assets									
Interest earning assets									
Trading securities	**11,255**	**418**	**3.71**	11,264	446	3.96	8,444	404	4.78
Gross loans, advances and other receivables	**88,646**	**5,387**	**6.08**	85,617	5,356	6.26	86,279	5,505	6.38
Other interest earning financial assets	**6,478**	**152**	**2.35**	5,679	215	3.79	5,013	270	5.39
Total interest earning financial assets	**106,380**	**5,957**	**5.60**	102,560	6,017	5.87	99,736	6,179	6.20
Non-interest earning assets									
Provision for impairment	**(963)**	**-**	**-**	(1,114)	-	-	(1,246)	-	-
Property, plant and equipment	**336**	**-**	**-**	322	-	-	324	-	-
Other assets	**16,085**	**-**	**-**	18,062	-	-	15,997	-	-
Total non-interest earning assets	**15,458**	**-**	**-**	17,270	-	-	15,075	-	-
Total assets	**121,838**	**5,957**	**-**	119,830	6,017	-	114,811	6,179	-
Liabilities									
Interest bearing liabilities									
Deposits and short term borrowings	**71,029**	**2,409**	**3.39**	66,570	2,358	3.54	64,741	2,505	3.87
Bonds, notes and long term borrowings	**17,216**	**791**	**4.59**	17,741	782	4.41	18,799	884	4.70
Subordinated notes	**1,186**	**79**	**6.66**	1,775	134	7.55	2,202	177	8.04
Other interest bearing financial liabilities	**4,490**	**65**	**1.45**	4,013	61	1.52	2,841	54	1.90
Total interest bearing liabilities	**93,921**	**3,344**	**3.56**	90,099	3,335	3.70	88,583	3,620	4.09
Non-interest bearing liabilities									
Other liabilities	**16,667**	**-**	**-**	18,615	-	-	15,598	-	-
Total non-interest bearing liabilities	**16,667**	**-**	**-**	18,615	-	-	15,598	-	-
Total liabilities	**110,588**	**3,344**	**-**	108,714	3,335	-	104,181	3,620	-
Net assets	**11,250**	**2,613**	**-**	11,116	2,682	-	10,630	2,559	-

Volume and rate analysis

The following table attributes variances in our interest income and interest expense to changes in volume and rate for the year ended September 30, 2013 compared with the year ended September 30, 2012 and for the year ended September 30, 2012 compared with the year ended September 30, 2011. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

						Year ended September 30,
			2013 v. 2012			2012 v. 2011
		Increase / (Decrease) due to:			Increase / (Decrease) due to:	
NZ$ millions	**Change in volume**	**Change in rate**	**Net change**	Change in volume	Change in rate	Net change
Interest earning assets						
Trading securities	**-**	**(28)**	**(28)**	135	(93)	42
Net loans, advances and other receivables	**190**	**(159)**	**31**	(42)	(107)	(149)
Other interest earning financial assets	**30**	**(93)**	**(63)**	36	(91)	(55)
Change in interest income	**220**	**(280)**	**(60)**	175	(337)	(162)
Interest bearing liabilities						
Deposits and short term borrowings	**158**	**(107)**	**51**	71	(218)	(147)
Bonds, notes and long term borrowings	**(23)**	**32**	**9**	(50)	(52)	(102)
Subordinated notes	**(44)**	**(11)**	**(55)**	(34)	(9)	(43)
Other interest bearing financial liabilities	**7**	**(3)**	**4**	22	(15)	7
Change in interest expense	**98**	**(89)**	**9**	62	(347)	(285)
Change in net interest income	**122**	**(191)**	**(69)**	113	10	123

Liquidity and funding

General

Our liquidity policies are designed to ensure that we maintain sufficient cash balances and liquid asset holdings to meet our obligations as they fall due, in both ordinary market conditions and during periods of stress. These obligations include the repayment of deposits on-demand or at their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, the payment of dividends to shareholders, and the ability to fund new and existing loan and contractual commitments.

Our funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis.

Liquid assets are defined by the willingness of the RBNZ to accept them as collateral.

Our principal sources of liquidity are:

- the maturity of marketable securities;
- interest and principal repayments received from customer loans;
- customer deposits;
- proceeds from bonds, notes, and subordinated debt issues;
- fee income;
- interest and dividends from investments;
- security repurchase agreements with the RBNZ; and
- related party loans and asset sales, particularly involving the New Zealand branch of ANZBGL.

Conditions in the international debt markets deteriorated significantly from the middle of 2007 until the middle of 2009, slowly improved later during 2009 and early 2010, and then deteriorated again from mid 2010 until early 2012 due to the European debt crisis. More recently conditions have improved. These periods highlight the fragile condition of the global financial markets. Although these crises are unrelated to events in New Zealand, we have been exposed to them due to our requirement to fund regularly in the offshore market. There have been periods since the middle of 2007 when short and/or long term funding markets have been virtually illiquid. While we have continued to fund in both short and long term markets at costs prevailing at the time, we have taken a number of actions to manage our short and long term funding risks effectively in this environment, including:

- increasing minimum holdings of liquid assets to improve our ability to manage periods of market illiquidity;
- establishing an "in-house" RMBS structure in October 2008 to generate securities that meet the RBNZ criteria for eligible collateral for repurchase transactions, which significantly increases our funding ability from the RBNZ. As at September 30, 2013, ANZ New Zealand held $4,998 million of bonds which could be used for repurchase transactions with the RBNZ generating $4,200 million of funding;
- ANZBGL has established a New Zealand branch which was registered on January 5, 2009. The ANZ New Zealand Board has approved the sale, from time-to-time, into the New Zealand branch of ANZBGL of up to $15 billion of residential loans and mortgages. Such sales facilitate access by the New Zealand businesses to funding from ANZBGL and partially reduce ANZ New Zealand's funding and capital requirements. As at September 30, 2013, ANZBGL New Zealand branch held approximately $9.3 billion of residential loans;
- ensuring that the impact of increased funding costs is passed on to our businesses, which is reflected in pricing to customers;
- actively managing our maturity profile in line with our established policies and the RBNZ liquidity policy. For example the Core Funding Ratio (CFR) is derived from customer deposits, as determined by RBNZ, plus term debt with remaining life beyond 1 year divided by Total Loans and Advances. The RBNZ CFR minimum requirement is 75%; and
- establishing a covered bond program with a program limit of €5 billion in May 2011. The assets of the ANZNZ Covered Bond Trust, which was established in February 2011, are made up of certain housing loans and related securities originated by ANZ Bank New Zealand Limited and which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the ANZNZ Covered Bond Trust of issuances of covered bonds by ANZ New Zealand or ANZNIL from time to time. To date, ANZNIL has issued covered bonds with a face value of €2,000 million and CHF500 million. As at September 30, 2013, the ANZNZ Covered Bond Trust Limited held approximately $5.7 billion of loans.

The following table sets forth an analysis of our contractual obligations as at September 30, 2013.

	As at September 30, 2013			
NZ$ millions	**Due within 1 year**	**Due between 1 and 5 years**	**Due beyond 5 years**	**Total**
Long-term debt	3,338	10,698	2,533	16,569
Lease rental commitments	73	167	165	405
Total contractual cash obligations	3,411	10,865	2,698	16,974

Our current borrowing programs as at September 30, 2013, other than borrowings from our parent, ANZBGL, are summarized in the table below. In addition to these programs, from time to time we issue subordinated debt securities in the New Zealand market that are subject to APRA and RBNZ approval.

Active borrowing programs	Program size (millions)	Amount outstanding (millions)	Issuing entity	Principal market	Governing law
Euro Commercial Paper Program - short term	US$10,000	US$-	ANZNIL[1]	Offshore non US-based	English
U.S. Commercial Paper Program - short term	US$10,000	US$3,978	ANZNIL[1]	Offshore US-based	New York
Domestic Term Note Program	NZ$5,000	NZ$2,635	ANZ New Zealand	On shore	New Zealand
Euro Medium-Term Note Program	US$10,000	US$3,631	ANZ New Zealand and ANZNIL[1]	Offshore non US-based	English
U.S. Medium-Term Note Program	US$10,000	US$3,727	ANZ New Zealand and ANZNIL[1]	Offshore US-based	New York
ANZNZ Covered Bond Program	€ 5,000	€ 2,406	ANZ New Zealand and ANZNIL[2]	Offshore	English
Domestic Registered Certificate of Deposits Program	Unlimited	NZ$2,635	ANZ New Zealand	On shore	New Zealand

(1) Borrowing obligations guaranteed by ANZ New Zealand.

(2) Borrowing obligations guaranteed by ANZ New Zealand and ANZNZ Covered Bond Trust Limited. To date, ANZNIL has issued covered bonds with a face value of €2,000 million and CHF 500 million.

For an analysis of our borrowings by maturity, please see "Additional Financial and Statistical Information — Maturity distribution of borrowings" included elsewhere in this Offering Memorandum.

Our liquidity policies are adopted by ANZ New Zealand's Board to ensure that we have sufficient funds available to meet all our known and potential commitments.

Based on the level of resources within our businesses and our ability to access wholesale money markets and to issue debt securities should the need arise, we consider that our overall liquidity is sufficient to meet our current obligations to customers, policyholders and bondholders. Our business complies with the current liquidity requirements of the RBNZ.

Within our business, liquidity relates to our ability to make interest payments and to repay deposits. Our current policy is to ensure that liquid assets and funding capabilities are sufficient to meet expected cash flows under different scenarios. Our primary source of funding is from deposits, either on-demand or short-term deposits and term deposits. Although substantial portions of retail accounts are contractually repayable within one year, on-demand, or at short notice, customer deposit balances have traditionally provided a stable source of our core long-term funding.

We also access the New Zealand and international debt capital markets under our various funding programs. As at September 30, 2013, we had on issue $16,638 million of term debt securities (bonds, notes and subordinated debt).

The cost and availability of our senior unsecured financing is influenced by credit ratings. As at November 27, 2013, credit ratings and outlook for our short-term and long-term senior unsecured debt were as follows:

Credit rating agency	Short-term debt	Long-term debt	Outlook
S&P	A-1+	AA-	Stable
Moody's	P-1	Aa3	Stable
Fitch	F1+	AA-	Stable

Credit ratings are neither a rating of securities nor a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

The ability to sell assets quickly is also an important source of our liquidity. We hold sizeable balances of government securities and other debt securities which could be sold or are eligible as collateral for borrowing from the RBNZ to provide additional funding should the need arise.

Internal RMBS Securitization

In May 2008, the RBNZ expanded the range of acceptable collateral that banks can pledge and borrow against as part of changes to its liquidity management arrangements designed to help ensure adequate liquidity for New Zealand financial institutions in the event that global market disruption were to intensify. From July 31, 2008, acceptable collateral includes RMBS that satisfy RBNZ criteria.

On October 10, 2008, ANZ New Zealand established an in-house RMBS facility that can issue securities meeting the RBNZ criteria. The establishment of this facility increased our funding capability from the RBNZ. It also resulted in ANZ New Zealand's financial statements recognizing a payable and receivable of equal amount totalling $5,823 million as at September 30, 2013 to Kingfisher NZ Trust 2008-1, a consolidated entity. ANZ New Zealand's consolidated financial statements did not change as a result of establishing this facility.

Sale of Residential Mortgage Assets

As at September 30, 2013 the New Zealand branch of ANZBGL held approximately $9.3 billion of residential mortgage assets purchased from ANZ New Zealand. These assets qualify for derecognition as ANZ New Zealand does not retain a continuing involvement in the transferred assets.

Off-balance sheet financial instruments

By their nature, our activities are principally related to the use of financial instruments including derivatives. We accept deposits from customers at both fixed and floating rates, and for various periods, and seek to earn an interest margin by investing these funds in high quality assets. We seek to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

We also seek to earn interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances; we also enter into guarantees and other commitments such as letters of credit and performance, and other, bonds.

We also trade in financial instruments where we take positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in debt securities and in currency and interest rate prices. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Derivatives

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading. The held for trading classification includes two categories of derivative instruments, those used in sales and market making activities (trading positions) and those used for our own risk management purposes that do not meet specific qualifying criteria for hedge accounting and therefore must be classified as trading. Derivatives are subject to the same types of credit and market risk as other financial instruments, and we manage these risks in a consistent manner.

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealized gains and losses arising from marking to market all derivatives at a particular point in time.

Under NZ IFRS, all derivative financial instruments, including those used as hedging instruments, are measured at fair value and recognized in the balance sheet.

NZ$ millions	**2013** Face or Contract Value	**2013** Fair Value Gain	**2013** Fair Value Loss	2012 Face or Contract Value	2012 Fair Value Gain	2012 Fair Value Loss	2011 Face or Contract Value	2011 Fair Value Gain	2011 Fair Value Loss
									As at September 30,
Derivatives held for trading									
Foreign exchange derivatives									
Spot and forward contracts	**54,152**	**568**	**987**	59,862	647	1,240	62,832	2,111	1,440
Swap agreements	**132,066**	**3,189**	**4,113**	124,674	2,860	4,278	117,442	4,607	5,578
Options purchased	**2,982**	**52**	**-**	1,798	22	-	2,271	66	1
Options sold	**2,973**	**1**	**70**	1,651	1	39	2,280	-	69
Commodity derivatives	**366**	**32**	**32**	281	44	42	182	13	12
Interest rate derivatives									
Forward rate agreements	**15,877**	**-**	**2**	46,651	3	2	73,641	13	12
Swap agreements	**530,909**	**5,441**	**4,888**	522,387	8,682	8,147	629,986	8,224	7,637
Futures contracts	**24,857**	**2**	**6**	29,818	2	4	12,841	18	8
Options purchased	**1,098**	**4**	**-**	2,237	15	-	4,623	24	-
Options sold	**1,010**	**-**	**5**	1,833	-	14	6,446	-	26
Total derivatives held for trading	**766,290**	**9,289**	**10,103**	791,192	12,276	13,766	912,544	15,076	14,783
Derivatives in hedging relationships									
(a) Designated as cash flow hedges									
Interest rate swap agreements	**15,240**	**90**	**99**	13,524	240	72	11,090	275	69
Interest rate futures contracts	**-**	**-**	**-**	-	-	-	13,431	-	10
(b) Designated as fair value hedges									
Foreign exchange swap agreements	**55**	**2**	**-**	70	3	-	76	3	-
Interest rate swap agreements	**17,056**	**137**	**41**	15,752	234	92	17,652	281	256
Total derivatives held for hedging	**32,351**	**229**	**140**	29,346	477	164	42,249	559	335
Total derivatives	**798,641**	**9,518**	**10,243**	820,538	12,753	13,930	954,793	15,635	15,118

Collateral of $438 million was received as at September 30, 2013 in relation to derivative financial instruments (September 30, 2012: $257 million; September 30, 2011: $1,475 million).

Collateral of $1,002 million was paid as at September 30, 2013 in relation to derivative financial instruments (September 30, 2012: $1,256 million; September 30, 2011: $944 million).

Contingent liabilities and credit related commitments

We guarantee the performance of customers by issuing standby letters of credit and guarantees to third parties, including ANZBGL. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements as for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The gross value of the instruments and facilities reflects the level of our activity in the various products and not the much smaller net risk exposure. As we do not believe that any irrecoverable liability will arise from the settlement of these types of transactions, they are not recorded as on-balance sheet financial instruments.

We do not disclose fair value information in respect of off-balance sheet financial instruments, other than derivatives, as we do not believe the estimated fair value is material. Under NZ IFRS, the fair value of derivatives is already reflected in the financial statements.

The estimated face or contract values and credit equivalent amount for our off-balance sheet financial instruments are as follows:

NZ$ millions	As at September 30, 2013 Face or Contract Value	2012 Face or Contract Value	2011 Face or Contract Value
Contingent liabilities			
Financial guarantees	**997**	731	1,753
Standby letters of credit	**32**	44	60
Transaction related contingent items	**1,059**	913	882
Trade related contingent liabilities	**113**	117	110
Contracts for outstanding capital expenditure			
Commitments with certain drawdown due within one year	**24**	43	13
Credit related commitments			
Commitments with certain drawdown due within one year	**817**	742	527
Commitments to provide financial services	**24,446**	24,698	22,526

Other contingent liabilities.

See "Risk factors—Litigation and contingent liabilities may adversely impact our results" in this Offering Memorandum.

Other.

There are other outstanding court proceedings, claims and possible claims against us, the aggregate amount of which cannot readily be quantified or which is not considered material. Legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made and are disclosed in our consolidated financial statements.

Capital adequacy

ANZ New Zealand's Conditions of Registration, set by the RBNZ, specify the minimum capital requirements with which ANZ New Zealand must comply. The Conditions of Registration require capital adequacy ratios for ANZ New Zealand to be calculated in accordance with the RBNZ document entitled "*Capital Adequacy Framework (Internal Models Based Approach)*" (BS2B).

From January 1, 2013, ANZ New Zealand is required to comply with the RBNZ's Basel III capital adequacy requirements.

The following table provides details of our Common Equity Tier 1, Tier 1 and Tier 2 capital position as at September 30, 2013. The capital ratios are calculated using an internal models based approach and in accordance with RBNZ's Basel III capital standards.

NZ$ millions, unless otherwise stated	**RBNZ Minimum**	**September 30, 2013**
Common Equity Tier 1 capital (%)	4.5	10.4
Tier 1 capital (%)	6.0	10.8
Total capital (%)	8.0	12.4
Buffer Ratio (%)	n/a	4.4
Capital of the Banking Group		
Tier 1 capital		
Common Equity Tier 1 capital		
Ordinary common equity share capital		6,943
Retained earnings (net of appropriations)		4,200
Accumulated other comprehensive income and other disclosed reserves		24
Less deductions from Common Equity Tier 1 capital:		
Goodwill and other intangible assets, net of associated deferred tax liabilities		(3,448)
Deferred tax assets, net of associated deferred tax liabilities		(97)
Cash flow hedging reserve		(26)
Expected losses to the extent greater than total eligible allowances for impairment		(73)
Common Equity Tier 1 capital		7,523
Additional Tier 1 capital – preference shares		300
Total Tier 1 capital		**7,823**
Tier 2 capital		
NZ$ 835,000,000 perpetual subordinated bond		835
A$ 265,740,000 perpetual subordinated loan		299
Total Tier 2 capital		**1,134**
Total capital		**8,957**

The following table provides details of ANZ New Zealand's Tier 1 and Tier 2 capital position as at September 30, 2012. The capital ratios are calculated using the RBNZ's Basel II internal models based approach:

NZ$ millions, unless otherwise stated	**RBNZ Minimum**	**September 30, 2012**
Tier 1 capital (%)	4.0	10.8
Total capital (%)	8.0	12.5
Capital of the Banking Group		
Tier 1 capital		
Ordinary share capital		6,943
Audited retained earnings and reserves		3,848
Less: deductions from tier 1 capital		
Goodwill and other intangible assets		(3,505)
50% Expected loss to the extent higher than total eligible allowances for impairment		(39)
Total Tier 1 capital		**7,247**
Tier 2 capital		
NZ$ 835,000,000 perpetual subordinated bond		835
A$ 265,740,000 perpetual subordinated loan		333
Less: deductions from tier 2 capital		
50% Expected loss to the extent higher than total eligible allowances for impairment		(39)
Total Tier 2 capital[1]		**1,129**
Total capital		**8,376**

(1) ANZ New Zealand repaid term subordinated debt of $815 million in the year ended September 30, 2012.

Capital Adequacy in New Zealand

The bank prudential supervisor in New Zealand is the RBNZ. It imposes capital adequacy requirements on banks, the objective of which is to ensure that an adequate level of capital is maintained, thereby providing a buffer to absorb unanticipated losses from activities. The RBNZ's approach to assessing capital adequacy focuses on credit risk associated with the bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

ANZ New Zealand is accredited by the RBNZ to use the internal ratings based approach for calculating capital adequacy ratios.

The RBNZ has implemented the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions, as of 1 January 2013. With effect from 1 January 2014, the RBNZ will also require New Zealand incorporated banks, including ANZ New Zealand, to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion from 1 January 2014 to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit.

From 1 January 2013, the RBNZ defines total regulatory capital as the sum of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 capital and Additional Tier 1 capital. Each category of capital is calculated net of the associated regulatory adjustments prescribed by the RBNZ.

Prior to 1 January 2013, the RBNZ defined total regulatory capital as Tier 1 capital plus Tier 2 capital less deductions from total capital. Tier 2 capital consisted of subordinated loan capital less any prescribed deductions.

ICAAP

ANZ New Zealand's internal capital adequacy assessment process ("**ICAAP**") incorporates overall capital policies and objectives, capital management policies and plans, allocation of capital to business units and stress testing of both risk and capital positions.

ANZ New Zealand's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of ANZ New Zealand's capital position; and
- ensure that the capital base supports ANZ New Zealand's risk appetite, and strategic business objectives, in an efficient and effective manner.

The ANZ New Zealand Board of Directors holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes setting, monitoring and obtaining assurance for ANZ New Zealand's ICAAP policy and framework, standardized risk definitions for all material risks, materiality thresholds, capital adequacy targets, internal economic risk capital principles and risk appetite.

ANZ New Zealand has minimum and trigger levels for Common Equity Tier 1, Tier 1 and total capital to ensure sufficient capital is maintained to:

- meet minimum prudential requirements as defined in ANZ New Zealand's Conditions of Registration;
- ensure consistency with ANZ New Zealand's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- support the economic risk capital requirements of the business.

ANZ New Zealand's Asset & Liability Committee and its related Capital Management Forum are responsible for developing, implementing and maintaining ANZ New Zealand's ICAAP framework including on-going monitoring, reporting and compliance.

ANZ New Zealand's ICAAP is subject to periodic review conducted by internal audit.

ANZ New Zealand has complied with all externally imposed capital requirements to which it is subject during the current and comparative periods.

ANZ New Zealand's Capitalization

ANZ New Zealand's Common Equity Tier 1 capital adequacy ratio as at September 30, 2013 was 10.4%. The Common Equity Tier 1 capital adequacy ratio is a new capital adequacy ratio implemented by the RBNZ on January 1, 2013 as part of the RBNZ's Basel III reforms. The Tier 1 capital adequacy ratio was 10.8% as at September, 30, 2013 and September 30, 2012. The total capital adequacy ratio was 12.4% as at September 30, 2013, a decrease from 12.5% as at September 30, 2012.

Risk weighted exposures

Credit Risk

Under the Internal Ratings Based Approach ("**IRB**"), banks use their own internal risk measures, subject to certain RBNZ impositions, for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

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

Exposure at Default ("**EAD**") – the expected facility exposure at default; and

Loss Given Default ("**LGD**") – an estimate of the potential economic loss on a credit exposure, incurred as a result of obligor default and expressed as a percentage of the facility's EAD. For retail mortgage exposures, New Zealand banks apply downturn LGDs according to Loan to Value ("**LVR**") prescribed bands as set out in BS2B. For Farm Lending, ANZ New Zealand has adopted RBNZ prescribed LVR based downturn LGDs along with a minimum maturity of 2.5 years and the removal of the firm size adjustment.

For exposures classified under Specialized Lending, banks use slotting tables prescribed by the RBNZ rather than internal estimates to determine risk weighted exposures.

Under the IRB approach credit exposures (both on and off-balance sheet) are allocated to an asset class (sovereign, bank, corporate, retail mortgage and other retail) depending on borrower type. In addition equity exposures and other assets such as premises and equipment, cash and claims on the RBNZ are separately identified and risk weighted according to the requirements of BS2B.

For a minor number of portfolios the IRB approach is not adopted as, due to systems constraints or other reasons, determining IRB estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a standardized methodology set out in the RBNZ document entitled "Capital Adequacy Framework (Standardized Approach)" (BS2A).

Operational Risk

Banks are required to hold capital against operational risks associated with their business. ANZBGL uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk in accordance with BS2B. Operational Risk capital is modeled at a New Zealand divisional level and then distributed and adjusted for the business environment and internal controls down to the business units using the Risk Scenario Methodology. The Risk Scenario Methodology is a risk based methodology that ensures that there is sufficient operational risk capital held as a buffer for rare and severe unexpected operational loss events that may impact the New Zealand business. The Methodology applies a combination of expert judgment, business unit risk profiles, audit findings and internal and external loss events to derive a series of business specific Risk Scenarios that are applied to the capital model. The Risk Scenario approach:

- Assesses the level of ANZBGL's exposure to specified risk scenarios;
- Assesses the scope and quality of ANZBGL's internal control environment, key operational processes and risk mitigants; and
- Directly links these assessments to operational risk capital.

ANZ New Zealand's operational risk capital is calculated using the ANZBGL methodology, but with standalone New Zealand inputs to ensure there are no diversification benefits, as required by the RBNZ. The calculation does not incorporate any insurance mitigation impact.

Market Risk

Banks are required to hold capital against interest rate, foreign currency and equity risks (together "**market risk**"). ANZ New Zealand uses a standardized methodology for the calculation of market risk as prescribed by the RBNZ's BS2A/BS2B Capital Adequacy Framework.

Internal capital measurement

In accordance with its Conditions of Registration, ANZ New Zealand is also required to maintain an internal economic capital allocation for other material risks not covered by regulatory capital requirements. The measurement and management of any other material risks is covered in ANZ New Zealand's Economic Capital model, which is used within its ICAAP. Economic capital is assessed as the unexpected loss measured to a 99.97% confidence level, which is consistent with ANZ New Zealand's risk appetite of maintaining its AA rating. The internal capital allocation for ANZ New Zealand's other material risks as at September 30, 2013 was $365 million, including business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalized origination fees risk. Other material risks outside of credit, operational and market risks that ANZ New Zealand measures and manages are generally already deducted from Tier 1 capital.

Regulatory Capital

Following the implementation of Basel III by the RBNZ on January 1, 2013, regulatory capital comprises Common Equity Tier 1 capital, Additional Tier 1 capital (together, Tier 1 capital) and Tier 2 capital. Each category of capital is calculated net of associated regulatory adjustments. The resultant amount of capital forms the total capital base.

Common Equity Tier 1 capital includes eligible paid-up ordinary shares, share premium, retained earnings (net of appropriations), accumulated other comprehensive income and other reserves (other than asset revaluation reserves), and minority interests less various prescribed regulatory deduction adjustments including goodwill.

Additional Tier 1 capital includes eligible perpetual shares or debt and Tier 2 capital includes eligible subordinated long-term debt. Both Additional Tier 1 capital and Tier 2 capital instruments must include non-viability trigger events. Additional Tier 1 Capital instruments classified as a liability under NZ GAAP must also include loss absorption requirements for a Common Equity Tier 1 trigger event. Additional Tier 1 capital and Tier 2 capital may also include certain Basel III non-compliant instruments issued before September 12, 2010 under the RBNZ's Basel III transitional arrangements, subject to a reducing cap from January 1, 2014 to January 1, 2018.

From January 1, 2013, New Zealand banks are required to maintain a minimum ratio of total capital to total risk weighted exposures of 8%, of which a minimum of 6% must be held in Tier 1 capital and 4.5% must be held in Common Equity Tier 1 capital. The numerator of the ratio is the capital base. The denominator of the ratio is total risk weighted exposures.

From January 1, 2014, where a capital adequacy ratio falls below its minimum ratio plus a buffer ratio, ANZ New Zealand must limit its aggregate distributions (including dividends, share buybacks and discretionary payments on Additional Tier 1 capital instruments) in accordance with its conditions of registration. The buffer ratio comprises a conservation buffer of common equity set at 2.5% of risk-weighted assets and also potentially a countercyclical buffer of common equity that will only be deployed when the RBNZ judges that excess private sector credit growth or rapid growth in asset prices is leading to a build-up of system-wide risk.

Regulatory Capital – prior to January 1, 2013

Prior to January 1, 2013, regulatory capital was comprised of two elements, eligible Tier 1 capital (Tier 1 capital, net of any deductions) and Tier 2 capital. Further deductions could also be made from total capital. The resultant amount of capital formed the capital base.

Tier 1 capital included fully paid ordinary capital, perpetual fully paid non-cumulative non-redeemable preference shares, reserves (other than asset revaluation reserves) and retained profits that had been subject to audit or review by the bank's auditor, less various prescribed regulatory deductions including goodwill.

Tier 2 capital included the current period's retained earnings not subject to audit or review by a bank's auditor, asset revaluation reserves, certain hybrid debt/equity instruments, and certain subordinated long-term debt, less various prescribed deductions. Investments by a bank in any non-consolidated controlled entities were deducted from the capital base.

New Zealand banks were required to maintain a minimum ratio of total capital to total risk weighted exposures of 8%, of which a minimum of 4% had to be held in Tier 1 capital.

Risk Weighted Assets

Total required capital as at September 30, 2013 (Basel III)

NZ$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
Internal ratings based approach	125,679	52,919	4,233
Specialized lending subject to slotting approach	7,868	7,531	603
Exposures subject to standardized approach	1,208	301	23
Equity exposures	99	418	33
Other exposures	3,056	1,218	97
Total credit risk	137,910	62,387	4,989
Operational risk	N/A	5,526	442
Market risk	N/A	4,280	342
Total capital requirement	137,910	72,193	5,773

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(1) Total credit risk-weighted exposures include a scalar of 1.06 in accordance with ANZ New Zealand's Conditions of Registration.

Capital Ratios

	As at September 30,		
	2013	2012	2011
(%)	**Basel III**	Basel II	Basel II
Common equity tier 1 capital	**10.4**	n/a	n/a
Tier 1 Capital	**10.8**	10.8	10.0
Tier 2 Capital	**1.6**	1.7	2.7
Total Capital[1]	**12.4**	12.5	12.7

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(1) Total capital base as a percentage of risk weighted assets.

Risk management policies

We recognize the importance of effective risk management to our business success. We are committed to achieving strong control and a distinctive risk management capability that enables ANZ New Zealand's business units to meet their performance objectives.

We approach risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk management function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

- The Board, providing leadership, setting risk appetite/strategy and monitoring progress;

- A strong framework for development and maintenance of ANZ New Zealand's risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- The use of risk tools, applications and processes to execute the global risk management strategy across ANZ New Zealand;
- Business unit level accountability, as the "first line of defense", and for the management of risks in alignment with our strategy; and
- Independent oversight to ensure business unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

We manage risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering our response to emerging risk issues and trends, and that the requisite culture and practices are in place across ANZ New Zealand, are conducted within ANZ New Zealand and also by ANZBGL. The Board has responsibility for reviewing all aspects of risk management.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. Our Risk Committee, which is a sub-committee of the Board, assists with this function. The role of the Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, capital, financial, operational, compliance, liquidity and reputational risk management, and to liaise and consult with the ANZBGL Risk Committee as required. We have an independent risk management function, which, via the Chief Risk Officer, coordinates risk management directly between Business Unit risk functions and ANZBGL Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the ANZBGL Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

Our risk management policies are essentially the same as ANZBGL's but are tailored where required to suit the local New Zealand regulatory and business environment.

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements and internal and external audit processes. It meets at least four times a year, and reports directly to the Board.

Credit Risk

We have an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

This framework is top down, being defined firstly by our Vision and Values and secondly, by Credit Principles and Policies. We also maintain a bank-wide risk appetite framework and business writing strategies for each of our major business units which give practical effect to the credit and risk appetite frameworks. These strategy papers are reviewed by the appropriate management committees and the Board. The effectiveness of the credit risk management framework is validated through compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organization and staff.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support our business units. All major business unit credit decisions require approval from both business writers and independent risk personnel.

Credit risk includes concentrations of credit risk, intra day credit risk, credit risk to bank counterparties and related party credit risk, and is the potential loss arising from the non-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk policy and management is executed through the Chief Risk Officer who has various dedicated areas within the Risk Management division. Wholesale Risk services ANZ New Zealand's commercial, investment banking and rural lending activities through dedicated teams. Retail Risk services ANZ New Zealand's small business and consumer customers. The Portfolio Reporting team within Risk Management provides an independent overview of credit risk across ANZ New Zealand at a portfolio level. We allow discretion for transaction approvals at the business unit level in both the retail and wholesale lending sectors, with larger transactions approved by Retail Risk and Wholesale Risk.

Market Risk

We have a market risk management and control framework, to support trading and balance sheet management activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach and related analysis identify the range of possible outcomes that can be expected over a given period of time, and establish the relative likelihood of those outcomes and allocate an appropriate amount of capital to support these activities.

Traded market risk is the risk of loss from changes in value of financial instruments due to movements in price factors for both physical and derivative trading positions. These risks are monitored daily against a comprehensive limit framework that includes Value at Risk ("**VaR**"), aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:

- **Currency risk** is the potential loss arising from the decline in the value of a financial instrument, due to changes in foreign exchange rates or their implied volatilities.
- **Interest rate risk** is the potential loss arising from the change in the value of a financial instrument, due to changes in market interest rates or their implied volatilities.
- **Credit Spread risk** is the potential loss arising from a decline in value of an instrument due to a movement of its margin or spread relative to a benchmark.

VaR Methodology: All the above risks are measured using a VaR methodology. The VaR methodology is a statistical estimate of the likely daily loss and is based on historical market movements. The confidence level is such that there is a 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely, there is a 1% probability of the decrease in market value exceeding the VaR estimate on any given day. We have adopted the historical simulation methodology as the standard for the calculation of VaR. This methodology is based on assessing the change in value of portfolios each day against historical prices.

Within overall strategies and policies, control of market risk exposures at ANZ New Zealand level is the responsibility of Market Risk, who work closely with the Markets and Treasury business units.

The Traded Market risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a VaR framework and detailed control limits. In all trading areas we have implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and "stress test" trading portfolios. The Asset and Liability Committee ("**ALCO**"), comprising executive management, provides monthly oversight of Market Risk.

The Chief Risk Officer is responsible for daily review and oversight of traded market risk reports. The Chief Risk Officer has the authority for instructing the business to close exposures and withdraw limits where appropriate.

Balance Sheet Risk Management embraces the management of non-traded interest rate risk, liquidity and the risk to capital and earnings as a result of exchange rate movements. A specialist balance sheet management unit manages these, and is overseen by Risk Management and the ALCO.

- **Interest rate risk** management's objective is to produce strong and stable net interest income over time. We use simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the re-pricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Non-traded interest rate risk is managed to both value and earnings at risk limits.
- **Currency risk** relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures, arising from each class of financial asset and liability, whether recognized or unrecognized, within each currency are not material.
- **Liquidity risk** is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. We maintain sufficient liquid funds to meet commitments based on historical and forecasted cash flow requirements. Liquidity risk is measured through cash flow modeling, with profiles produced for both normal business and short-term crisis conditions. The RBNZ introduced a Liquidity Policy (BS13 and BS13A) covering the management of liquidity risk by registered banks in New Zealand which took effect from March 30, 2010. A description of these requirements is covered under "Regulation and Supervision — Conditions of Registration".
- **Equity risk** is the potential loss arising from the decline in the value of equity instruments held by us due to changes in their equity market prices or implied volatilities.
- **Prepayment risk** is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to the ANZ New Zealand Group of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation.
- **Basis risk** is the potential risk to earnings or market value from differences between customer pricing

and wholesale market pricing. This is managed through active review of product margins.

Operational Risk

Operational risk is the risk arising from day-to-day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the Bank's reputation.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Operational risk is typically classified into risk event type categories to measure and compare risks on a consistent basis. Examples of operational risk events according to category are as follows:

- Internal Fraud: Risk that fraudulent acts are planned, initiated or executed by employees (permanent, temporary or contractors) from inside the bank.
- External Fraud: Fraudulent acts or attempts which originate from outside the bank, including valueless cheques, counterfeit credit cards and loan applications in false names.
- Employment Practices & Workplace Safety: Risk to our employees' health and safety.
- Clients, Products & Business Practices, including risk of market manipulation, product defects, money laundering and misuse of customer information.
- Business Disruption (including Systems Failures): Risk that our banking operating systems are disrupted or fail. At ANZ, technology risks are key Operational Risks which fall under this category.
- Damage to Physical Assets: Risk that a natural disaster, terrorist or vandalism attack damages our buildings or property.
- Execution, Delivery & Process Management: Risk that we experience losses as a result of data entry errors, accounting errors or failed mandatory reporting.

Risk Management is responsible for establishing our operational risk framework and associated ANZ New Zealand Group wide policies. Business units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

Business units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Retail and Wholesale Risk Forums. ANZ New Zealand's Operational Risk Executive Committee ("**OREC**") undertakes the governance function through the bi-monthly monitoring of operational risk performance across the ANZ New Zealand Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

We conduct our business in accordance with all relevant compliance requirements. In order to assist us to identify, manage, monitor and measure our compliance obligations, we have a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with business unit staff, ensures we operate within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimize material risks to our reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the identification and management of compliance. Our Risk Management division provides policy and framework, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. OREC, the Chief Risk Officer, the ANZ New Zealand Board and the Risk Committee of the ANZBGL Board conduct Board and Executive oversight.

Internal Audit

Our Global Internal Audit function conducts independent reviews that assist the Board of Directors and management to meet their statutory and other obligations.

Global Internal Audit reports directly to the Chairman of the ANZ New Zealand Audit Committee and through to the Group General Manager Global Internal Audit ANZBGL. Under its Charter, Global Internal Audit conducts independent appraisals of:

- The continued operation and effectiveness of the internal controls in place to manage and monitor all major and extreme residual risks to ANZ New Zealand;
- Compliance with Board policies and management directives;
- Compliance with the requirements of supervisory regulatory authorities;
- The economic and efficient management of resources; and
- The effectiveness of operations undertaken by ANZ New Zealand.

In planning the audit activities, Global Internal Audit adopts a risk-based methodology that directs and concentrates resources to those areas of greatest significance, strategic concern and risk to the business. This encompasses reviews of major credit, market, technology and operating risks within the ANZ New Zealand Group. Significant findings are reported quarterly to the Audit Committee.

The Global Internal Audit Plan is approved by our Audit Committee and endorsed by the ANZBGL Audit Committee.

All issues and recommendations reported to management are tracked and monitored internally to ensure completion and agreed actions are undertaken where appropriate.

Additional Financial and Statistical Information

Set out below is additional financial and statistical information for our business for the periods indicated.

Assets and liabilities

The following table sets forth the assets and liabilities of our business as at the dates indicated:

NZ$ millions		As at September 30,	
	2013	2012[1]	2011[1]
Assets			
Liquid assets	**2,496**	2,831	2,455
Due from other financial institutions	**1,570**	1,722	4,629
Trading securities	**10,320**	12,338	9,466
Derivative financial instruments	**9,518**	12,753	15,635
Current tax assets	**-**	15	-
Available-for-sale assets	**782**	57	411
Net loans and advances	**90,489**	86,678	83,610
Investments backing insurance policy liabilities	**172**	142	97
Insurance policy assets[1]	**399**	408	200
Shares in associates and jointly controlled entities	**98**	99	100
Other assets	**731**	592	863
Deferred tax assets	**39**	93	139
Premises and equipment	**376**	323	325
Goodwill and other intangibles	**3,448**	3,505	3,510
Total assets	**120,438**	121,556	121,440
Liabilities			
Due to other financial institutions	**1,517**	1,759	3,711
Deposits and other borrowings	**77,697**	73,652	69,238
Due to Immediate Parent Company	**939**	740	174
Derivative financial instruments	**10,243**	13,930	15,118
Payables and other liabilities[1]	**1,705**	1,792	2,654
Current tax liabilities	**3**	-	17
Provisions	**229**	339	309
Bonds and notes	**15,494**	17,244	17,406
Loan capital	**1,144**	1,168	1,988
Total liabilities	**108,971**	110,624	110,615
Net assets	**11,467**	10,932	10,825

(1) Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. As at September 30, 2012 $107 million was added to both assets and liabilities. As a result of this reclassification, the total assets and total liabilities for 2011 are not comparable to those items for 2013 and 2012.

Credit risk concentration

The following table sets forth total lending risk by industry, including impaired assets, specific provisions and write-offs:

						As at September 30, 2013
NZ$ millions	Total lending	Impaired assets	Specific provision	Write-offs	Recoveries	Net write-off
Agriculture, Forestry, Fishing & Mining	**18,394**	**401**	**84**	**47**	**1**	**46**
Business & Property Services	**8,876**	**107**	**36**	**28**	**-**	**28**
Construction	**1,033**	**18**	**11**	**5**	**-**	**5**
Entertainment, Leisure & Tourism	**1,031**	**34**	**10**	**4**	**-**	**4**
Financial & Insurance	**839**	**5**	**4**	**4**	**-**	**4**
Government & Local Authority	**1,228**	**-**	**-**	**-**	**-**	**-**
Manufacturing	**2,916**	**34**	**31**	**31**	**1**	**30**
Retail Trade	**1,717**	**15**	**9**	**9**	**-**	**9**
Wholesale Trade	**1,227**	**43**	**14**	**3**	**-**	**3**
Transport & Storage	**1,453**	**9**	**5**	**19**	**1**	**18**
Personal	**51,407**	**200**	**69**	**130**	**20**	**110**
Other	**1,422**	**28**	**11**	**6**	**-**	**6**
Total lending	**91,543**	**894**	**284**	**286**	**23**	**263**

Mortgagee Sales

Under New Zealand property law, holders of registered mortgages are able to exercise their right of power of sale when the customer has breached the terms of their loan or mortgage. Before any mortgagee sale can be initiated, a notice under the Property Law Act 2007 ("**PLA Notice**") must be issued. The PLA Notice is the formal legal notice of default and advises the customer that unless ANZ New Zealand is repaid in full by a set date then ANZ New Zealand may exercise its right of power of sale.

The table below shows the actual PLA Notices issued and mortgagee sales concluded from January 2011 to September 2013.

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PLA issued	125	136	118	92	72	86	62	75	138	104	166	35
Mortgagee sales concluded	35	29	26	21	24	23	38	40	47	13	22	32

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PLA issued	131	53	124	76	107	49	91	73	39	89	21	7
Mortgagee sales concluded	30	32	61	42	44	29	39	29	31	18	19	12

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PLA issued	48	34	49	50	55	84	59	46	50
Mortgagee sales concluded	14	11	14	16	16	13	12	19	18

Interest rate exposures

The interest rate sensitivity analysis of on-balance sheet financial assets and liabilities has been prepared on the basis of contractual maturity or next re-pricing date, whichever is the earlier, except where the contractual terms are not considered to be reflective of interest rate sensitivity, for example, those assets and liabilities priced at the ANZ New Zealand Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Interest rate exposure is monitored by an independent function to ensure that aggregate risk is managed within Board determined policy. The policy ensures that we are not exposed to unpalatable variations in economic value and net interest income due to interest rates. Simulation modeling and net gap analysis are undertaken, taking into account the projected change in asset and liability levels and mix. The aggregate interest rate exposure of the balance sheet, including net interest income at risk over the next two years, and the present value sensitivity of the net gap, are reviewed on a monthly basis, under various interest rate scenarios.

Our repricing "gap position" as at September 30, 2013 is shown in the following table:

NZ$ millions	Total	less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Non-interest bearing
							As at September 30, 2013
Financial assets							
Liquid assets	**2,496**	**2,136**	**-**	**-**	**-**	**-**	**360**
Due from other financial institutions	**1,570**	**1,426**	**-**	**-**	**-**	**-**	**144**
Trading securities	**10,320**	**1,235**	**455**	**606**	**3,105**	**4,919**	**-**
Derivative financial instruments	**9,518**	**-**	**-**	**-**	**-**	**-**	**9,518**
Available-for-sale assets	**782**	**177**	**234**	**23**	**250**	**96**	**2**
Net loans and advances	**90,489**	**58,412**	**5,116**	**10,828**	**10,917**	**5,759**	**(543)**
Other financial assets	**820**	**103**	**30**	**36**	**3**	**-**	**648**
Total financial assets	**115,995**	**63,489**	**5,835**	**11,493**	**14,275**	**10,774**	**10,129**
Liabilities							
Due to other financial institutions	**1,517**	**1,143**	**-**	**-**	**-**	**-**	**374**
Deposits and other borrowings	**77,697**	**51,967**	**9,419**	**8,231**	**1,437**	**1,117**	**5,526**
Due to Immediate Parent Company	**939**	**939**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**10,243**	**-**	**-**	**-**	**-**	**-**	**10,243**
Bonds and notes	**15,494**	**4,867**	**47**	**266**	**2,933**	**7,381**	**-**
Loan capital	**1,144**	**-**	**309**	**-**	**-**	**835**	**-**
Other financial liabilities	**1,232**	**44**	**-**	**-**	**-**	**126**	**1,062**
Total financial liabilities	**108,266**	**58,960**	**9,775**	**8,497**	**4,370**	**9,459**	**17,205**
Hedging instruments	**-**	**(5,695)**	**14,905**	**(3,058)**	**(9,566)**	**3,414**	**-**
Interest sensitivity gap	**7,729**	**(1,166)**	**10,965**	**(62)**	**339**	**4,729**	**(7,076)**

General banking statistics

The following table provides ratio information relating to our business:

	2013	2012	2011	2010	2009
					As at September 30,
(%, unless otherwise stated)					
Cost to income ratio[1]	**43.86**	47.23	49.37	49.48	47.40
Cost to average total banking assets ratio[2]	**1.24**	1.42	1.47	1.34	1.23
Capital adequacy ratio[3]	**12.41**	12.48	12.74	13.11	12.67
Risk-weighted exposures (NZ$ millions)[4]	**72,193**	67,130	70,837	68,779	71,401
Return on average risk-weighted exposures[5]	**1.96**	1.93	1.56	1.18	0.40
Net interest margin[6]	**2.46**	2.62	2.57	2.43	2.34
Net interest spread[7]	**2.04**	2.12	2.11	2.00	1.88
Non-interest income as a percentage of assets[8]	**0.68**	0.82	0.75	0.63	0.55
Non-interest income as a percentage of total income[9]	**23.95**	27.28	25.07	23.52	21.28

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(1) Operating expenses of the banking business divided by total income from ordinary banking activities.

(2) Operating expenses of the banking business divided by average total banking assets as shown in the average banking assets and liabilities statement.

(3) Capital base divided by total risk weighted exposures, as defined by the RBNZ.

(4) Risk weighted exposures as at September 30, 2013 have been calculated under the Basel III framework, whereas the comparative risk weighted exposures for the other periods presented in the table have been calculated under the Basel II framework, and are not directly comparable. For more information, see "*Regulatory Capital*" in this Offering Memorandum.

(5) Banking operating profit after tax divided by average risk weighted exposures. Averages are based on quarterly balances. The ratio is annualized.

(6) Net interest income divided by average interest earning assets.

(7) The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.

(8) Total income from ordinary banking activities less net interest income divided by average banking assets.

(9) Total income from ordinary banking activities less net interest income divided by total income from ordinary banking activities.

Loans and advances by category

Our portfolio by category of loans and advances is set forth in the following table. The statistics reflect our gross loan advances including provisions and net of unearned income.

NZ$ millions	**2013**	2012	2011	2010	2009
					As at September 30,
Overdrafts	**1,841**	1,881	1,847	2,131	2,087
Credit card outstandings	**1,458**	1,395	1,367	1,388	1,402
Term loans - Housing	**49,563**	46,123	43,636	43,887	44,763
Term loans - Non-housing	**37,832**	37,749	37,398	39,179	40,231
Finance lease receivables	**849**	806	768	726	683
Gross loans and advances	**91,543**	87,954	85,016	87,311	89,166
Provision for impairment	**(826)**	(1,054)	(1,156)	(1,398)	(1,272)
Unearned finance income	**(278)**	(258)	(256)	(273)	(262)
Fair value hedge adjustment	**(42)**	(2)	22	279	615
Deferred fee revenue and expenses	**(64)**	(60)	(51)	(49)	(51)
Capitalized brokerage / mortgage origination fees	**156**	98	35	43	63
Total net loans and advances	**90,489**	86,678	83,610	85,913	88,259

Performance statistics

The following table sets forth our average interest earning assets, net interest income, gross earning rate, net interest margin and net interest spread for the periods indicated:

NZ$ millions (unless otherwise stated)	**2013**	2012	2011
			Year ended September 30,
Average interest earning assets	**106,380**	102,560	99,736
Net interest income	**2,613**	2,682	2,559
Gross earning rate (%)[1]	**5.60**	5.87	6.20
Net interest margin (%)[2]	**2.46**	2.62	2.57
Net interest spread (%)[3]	**2.04**	2.12	2.11

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(1) Average interest rate received on interest earning assets.

(2) Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities.

(3) Net interest income as a percentage of average interest earning assets.

On-balance sheet and off-balance sheet exposures subject to internal ratings based approach

The following table sets forth our on-balance sheet and off-balance sheet exposures under the Internal Ratings Based approach:

As at September 30, 2013

NZ$ millions (unless otherwise stated)	Total exposure or principal amount	Exposure at default	Exposure-weighted LGD used for the capital calculation (%)	Exposure-weighted risk weight (%)	Risk weighted exposure[1]	Total capital requirement
On-balance sheet exposures						
Corporate	32,267	32,475	35	58	19,884	1,591
Sovereign	8,750	8,665	5	1	88	6
Bank	3,742	3,514	59	25	915	73
Retail mortgages	47,382	47,617	22	29	14,886	1,191
Other retail	4,466	4,573	64	82	3,981	319
Total on-balance sheet exposures	96,607	96,844	28	39	39,754	3,180
Off-balance sheet exposures						
Corporate	12,393	9,337	52	50	4,948	396
Sovereign	67	36	5	1	-	-
Bank	1,277	1,091	50	18	212	17
Retail mortgages	5,648	5,938	18	17	1,075	86
Other retail	4,962	4,776	75	51	2,596	207
Total off-balance sheet exposures	24,347	21,178	47	39	8,831	706
Market related contracts						
Corporate	75,161	2,031	60	88	1,888	151
Sovereign	11,960	359	5	2	6	1
Bank	633,565	5,267	64	44	2,440	195
Total market related contracts	720,686	7,657	60	53	4,334	347
Total credit risk exposures subject to the internal ratings based approach	841,640	125,679	33	40	52,919	4,233

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(1) Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Impaired assets

The following table sets forth details of our impaired assets for the periods indicated:

				As at September 30,	
NZ$ millions, unless otherwise stated	**2013**	2012	2011	2010	2009
Gross balances of impaired assets					
with individual provisions set aside	**880**	1,203	1,706	1,987	1,173
without individual provisions set aside	**14**	163	20	17	5
Gross impaired assets	**894**	1,366	1,726	2,004	1,178
Individual provision for credit impairment	**284**	450	494	605	474
Net impaired assets	**610**	916	1,232	1,399	704
Details of size of gross impaired assets					
Less than one million	**243**	400	547	600	558
Greater than one million but less than ten million	**350**	486	517	540	293
Greater than ten million	**301**	480	662	864	327
Gross impaired assets	**894**	1,366	1,726	2,004	1,178
Past due loans not shown as impaired assets					
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognized in the balance sheet. The value of past due loans	**208**	210	288	292	435
Interest income forgone on impaired assets during the period					
Net interest charged but not recognized in the income statement	**66**	60	67	60	60
Net interest charged and recognized in the income statement	**28**	51	76	59	8
Analysis of movements in impaired assets					
Balance at the beginning of the period	**1,366**	1,726	2,004	1,178	327
Recognition of new impaired assets and increases in previously recognized impaired assets	**803**	967	1,449	2,081	1,703
Impaired assets written off during the period	**(286)**	(269)	(366)	(272)	(278)
Impaired assets which have been realized or restated as performing assets and impaired assets where the value of the security held has been realized	**(989)**	(1,058)	(1,361)	(983)	(574)
Balance at the end of the period	**894**	1,366	1,726	2,004	1,178
Gross impaired assets as a percentage of gross loans and advances (%)	**0.98**	1.55	2.03	2.28	1.32
Gross impaired assets & 90 days past due assets as a percentage of gross loans and advances (%)	**1.20**	1.79	2.37	2.62	1.81

Non-Performing Loans

Impaired loans have reduced by 35% from $1,366 million at September 30, 2012 to $894 million at September 30, 2013. That decrease was experienced across most business sectors through asset realization, restatement to performing and write-offs. We continue our strategy of working with customers to return them to a productive status or to achieve maximum recoveries for us and the customer. Given subdued sales volumes across some asset markets, this strategy can involve extended work-outs for some customers but it is achieving adequate levels of assets realized or repaid, or provisions recovered. Bad debts written-off increased by $17 million to $286 million written-off in the 12 months to September 30, 2013.

Provision for credit impairment

ANZ New Zealand's lending portfolio is largely secured against residential property, rural land, commercial property and other business assets.

Reflecting that collateral backing, approximately 68% of ANZ New Zealand's impaired assets are covered by collateral security generally comprising real estate assets. ANZ New Zealand adopts loan recovery processes that aim to maximize the realizable value of these securities in order to reduce write-offs and increase the recoveries achievable for ANZ New Zealand and its customers. Individual recovery strategies are reviewed regularly to ensure they remain appropriate for the current and forecast business environment and the respective property markets.

The credit impairment charge reduced 67% from $193 million at September 30, 2012 to $63 million at September 30, 2013. The individual provision charge reduced by $126 million from $251 million at September 30, 2012 to $125 million at September 30, 2013, as a result of the lower new individual provisions and a higher level of write-backs. The $62 million of collective provision releases at September 30, 2013 reflected the previously accumulated economic cycle overlay which were unwound.

The following table sets forth details of our provisions for impaired assets for the periods indicated:

				As at September 30,	
NZ$ millions (unless otherwise stated)	**2013**	2012	2011	2010	2009
Collective provision					
Balance at the beginning of the period	**604**	662	793	798	534
(Credit) / Charge to income statement	**(62)**	(58)	(131)	(5)	264
Balance at the end of the period	**542**	604	662	793	798
Individual provision					
Balance at the beginning of the period	**450**	494	605	474	132
Charge to income statement	**125**	251	309	441	610
Recoveries	**23**	25	22	21	20
Bad debts written off	**(286)**	(269)	(366)	(272)	(278)
Discount unwind	**(28)**	(51)	(76)	(59)	(10)
Balance at the end of the period	**284**	450	494	605	474
The provision for impairment expressed as a percentage of gross impaired assets less interest reserved (%):					
Individual provisions	**31.66**	32.94	28.62	30.19	40.24
Total provisions	**92.28**	77.16	66.97	69.76	108.00
Collective provision for impairment expressed as a percentage of credit risk-weighted exposures (%)	**0.87**	1.06	1.11	1.36	1.32

Loan quality

We maintain a systematic, continuous approach to the collection of loan arrears, and we issue notices of arrears or defaults in terms detailed in policies and procedures. For purposes of loan quality, we distinguish between commercial loans and other (including residential mortgage) loans. We generally classify commercial loans and housing loans as either performing, impaired or, in some cases, restructured assets.

We monitor consumer loan quality by independently verifying arrears and producing and distributing detailed credit performance reports to management. In addition, we closely examine the trends on arrears of various products within the portfolio to ensure measures are taken to correct and control any adverse trends that may be identified. We manage commercial loans through a watch and control list process pursuant to detailed policies and procedures. Secured impaired assets and larger unsecured impaired assets are managed individually and are subject to continuous review of recovery strategy and the adequacy of provisioning levels.

Impaired assets are credit exposures where there is doubt as to whether the full contractual amount (including interest) will be received, and/or where a material credit obligation is 90 days past due but not well secured, or is a portfolio managed facility that can be held for up to 180 days past due, or where concessional terms have been provided due to the financial difficulties of the customer.

Our individual provisioning policy varies depending on the category of lending provided. We raise an individual provision on non-accrual loans based on expected security realization values less selling costs.

Non-accrual loans

The following table sets forth our impaired assets and details of individual provisions for credit impairment for the dates indicated:

					As at September 30,
NZ$ millions, unless otherwise stated	**2013**	2012	2011	2010	2009
Gross balances of impaired assets					
with individual provisions set aside	**880**	1,203	1,704	1,987	1,173
without individual provisions set aside	**14**	163	22	17	5
Gross impaired assets	**894**	1,366	1,726	2,004	1,178
Individual provision for credit impairment	**284**	450	494	605	474
Net impaired assets	**610**	916	1,232	1,399	704
Net impaired assets as a percentage of gross loans and advances (%)	**0.67**	1.04	1.45	1.60	0.79

Past due loans

The following table shows the net amount of our past due loans, which are loans where repayment of the facility was contractually 90 days or more in arrear for the dates indicated. Interest on these past due loans is accrued and brought to account in the income statement.

					As at September 30,
NZ$ millions	**2013**	2012	2011	2010	2009
Gross loans past due not subject to individual provision[1]	**208**	210	288	292	435
Gross impaired assets	**894**	1,366	1,726	2,004	1,178
Total past due loans	**1,102**	1,576	2,014	2,296	1,613

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(1) Despite the arrears of such loans, an assessment of the value of the security, including mortgage insurance in the case of residential loans, indicates that principal and interest should be recovered in full.

Provision for credit impairment

The following table sets forth details of our provision for credit impairment on our loan portfolio and other assets for the periods indicated:

					Year ended September 30,
NZ$ millions, unless otherwise stated	**2013**	2012	2011	2010	2009
Provision for credit impairment					
Balance at the beginning of the period	**1,054**	1,156	1,398	1,272	666
Net increase in provisions (see (i) below)	**63**	193	178	436	874
Bad debts recovered	**23**	25	22	21	20
Reversal of individual provisions as a result of bad debt write-offs (see (ii) below)	**(286)**	(269)	(366)	(272)	(278)
Discount unwind	**(28)**	(51)	(76)	(59)	(10)
Balance at end of the period	**826**	1,054	1,156	1,398	1,272

NZ$ millions	**2013**	2012	2011	As at September 30, 2010	2009
(i) Net increase in provision by industry category:					
Collective provision	**(62)**	(58)	(131)	(5)	264
Agriculture, Forestry, Fishing & Mining	**32**	87	109	80	41
Business Services	**1**	-	11	42	12
Construction	**(5)**	1	34	15	16
Entertainment Leisure & Tourism	**1**	8	1	18	11
Financial Services	**(1)**	1	(14)	(23)	53
Government and Local Authorities	**-**	-	-	-	1
Manufacturing	**7**	32	(2)	9	75
Property Services	**(5)**	37	56	63	53
Retail Trade	**6**	4	1	9	17
Wholesale Trade	**(1)**	8	8	14	6
Transport & Storage	**21**	4	-	4	5
Personal	**72**	71	104	205	315
Other	**(3)**	(2)	1	5	5
Net increase in provisions	**63**	193	178	436	874

NZ$ millions	**2013**	2012	2011	As at September 30, 2010	2009
(ii) Reversal of individual provisions as a result of bad debt write-offs by industry category:					
Agriculture, Forestry, Fishing & Mining	**(47)**	(63)	(31)	(28)	(22)
Business Services	**(3)**	(1)	(29)	(18)	(10)
Construction	**(5)**	(3)	(26)	(16)	(3)
Entertainment Leisure & Tourism	**(4)**	(7)	(8)	(7)	(3)
Financial Services	**(4)**	(12)	(10)	(2)	(1)
Manufacturing	**(31)**	(6)	(26)	(12)	(44)
Property Services	**(25)**	(46)	(54)	(16)	(20)
Retail Trade	**(9)**	(5)	(10)	(7)	(8)
Wholesale Trade	**(3)**	(3)	(7)	(2)	(1)
Transport & Storage	**(19)**	(3)	(1)	(3)	(1)
Personal	**(130)**	(110)	(162)	(158)	(164)
Other	**(6)**	(10)	(2)	(3)	(1)
Total reversal of individual provisions	**(286)**	(269)	(366)	(272)	(278)

The following table provides a breakdown by category of our total provisions for doubtful debts on loans and receivables:

	As at September 30, 2013	
	NZ$ millions	**%**
Collective provision	**542**	**65.6**
Agriculture, Forestry, Fishing & Mining	**84**	**10.1**
Business Services	**5**	**0.6**
Construction	**11**	**1.3**
Entertainment Leisure & Tourism	**10**	**1.2**
Financial Services	**4**	**0.5**
Government and Local Authorities	**-**	**-**
Manufacturing	**31**	**3.8**
Property Services	**31**	**3.8**
Retail Trade	**9**	**1.1**
Wholesale Trade	**14**	**1.7**
Transport & Storage	**5**	**0.6**
Personal	**69**	**8.4**
Other	**11**	**1.3**
Total provisions	**826**	**100.0**

Maturity distribution of borrowings

As at September 30, 2013, maturities of our wholesale borrowings were as follows:

NZ$ millions	Extend 1 year or less	After 1 year through 5 years	After 5 years through 10 years	Total
NZ$ Subordinated Notes	-	-	299	299
A$ Subordinated Notes	-	-	845	845
Euro Fixed Rate Notes	-	2,444	-	2,444
Euro Floating Rate Notes	-	-	815	815
NZ$ Fixed Rate Notes	235	1,775	216	2,226
NZ$ Floating Rate Notes	175	-	200	375
HK$ Fixed Rate Notes	16	-	-	16
HK$ Floating Rate Notes	62	16	-	78
US$ Fixed Rate Notes	-	1,810	-	1,810
US$ Floating Rate Notes	2,775	1,690	-	4,465
JPY Fixed Rate Notes	-	16	-	16
JPY Floating Rate Notes	16	333	-	349
GBP Floating Rate Notes	-	488	-	488
CHF Fixed Rate Notes	-	600	200	800
CHF Floating Rate Notes	-	1,267	-	1,267
US$ Commercial Paper	4,765	-	-	4,765
Registered Certificates of Deposit	2,364	-	-	2,364
Other Bonds and Notes	-	192	153	345
Gross wholesale borrowings	**10,408**	**10,631**	**2,728**	**23,767**

Average deposits

Details of our average deposits and short term borrowings are provided in the following table for the dates indicated. Averages are daily averages.

NZ$ millions, unless otherwise stated	**2013**		2012		2011	
					Year ended September 30,	
	Average balance	**Average rate paid (%)**	Average balance	Average rate paid (%)	Average balance	Average rate paid (%)
Call deposits[1]	**28,432**	**2.70**	24,340	2.70	20,514	2.71
Term deposits[2]	**37,488**	**3.93**	37,504	4.07	39,810	4.28
Commercial paper	**5,110**	**3.33**	4,726	3.68	4,417	3.57
	71,029	**3.39**	66,570	3.54	64,741	3.87

(1) Call deposits include call accounts and deposits for which interest is paid at market rates.

(2) Term deposits include quoted rate term deposits, negotiable certificates of deposit and floating rate certificates of deposit.

Certificates of deposit and other time deposit maturities

The following table shows the maturity profile of our certificates of deposit and other time deposits:

NZ$ millions	3 months or less	Over 3 months through 12 months	Over 12 months	Total
	As at September 30, 2013			
Certificates of deposit	2,329	35	-	2,364
Other time deposits	16,422	16,378	2,554	35,354
Total certificates of deposits and other time deposits	**18,751**	**16,413**	**2,554**	**37,718**

Trading securities

The following table shows the book value and market value of our holdings of trading securities as at the dates indicated:

NZ$ millions	As at September 30, 2013	2012	2011
Trading securities at book value			
Government, local body stock and bonds	**5,404**	8,600	5,961
Certificates of deposit	**551**	455	334
Promissory notes	**36**	41	59
Other interest bearing securities	**4,329**	3,242	3,112
Total trading securities at book value	**10,320**	12,338	9,466
Trading securities at market value			
Government and semi-government securities	**5,404**	8,600	5,961
Bank bills, certificates of deposits and other short term negotiable securities	**551**	455	334
Promissory notes	**36**	41	59
Other interest bearing securities	**4,329**	3,242	3,112
Total trading securities at market value	**10,320**	12,338	9,466

The following table summarizes the market value of our holdings of trading securities as at September 30, 2013 according to their maturity dates:

NZ$ millions	As at September 30, 2013
Maturing in 1 year or less	**1,799**
Maturing between 1 and 5 years	**7,452**
Maturing after 5 years	**1,069**
Total trading securities	**10,320**

The following table provides the maturities and weighted average yields (based on yield rates for fixed interest and discount securities) of our holdings of trading securities at book value:

NZ$ millions, unless otherwise stated	As at September 30, 2013: Maturing in 1 year or less	Maturing between 1 and 5 years	Maturing after 5 years	Total	Average rate (%)
Securities of local and government owned authorities	**428**	**3,964**	**1,012**	**5,404**	**3.22**
Other securities	**1,371**	**3,488**	**57**	**4,916**	**4.37**
Total trading securities	**1,799**	**7,452**	**1,069**	**10,320**	**3.71**

Funding

The following table sets forth our funding as at the dates indicated:

NZ$ millions	**2013**	2012	2011
			As at September 30,
Deposits and short-term borrowings			
Unsecured			
Call deposits	**35,214**	30,653	26,707
Term deposits	**36,226**	36,078	36,253
US and Euro commercial paper	**4,765**	5,445	4,790
Total unsecured deposits and short term borrowings	**76,205**	72,176	67,750
Secured			
Debenture stock	**1,492**	1,476	1,488
Total secured deposits and short-term borrowings	**1,492**	1,476	1,488
Bonds, notes and long-term borrowings			
Unsecured			
Domestic	**3,590**	3,515	3,753
Offshore	**13,048**	14,897	15,641
Total bonds, notes and long-term borrowings	**16,638**	18,412	19,394
Total funding	**94,335**	92,064	88,632
Represented by:			
Retail	**70,568**	66,051	61,994
Wholesale	**23,767**	26,013	26,638
Total funding	**94,335**	92,064	88,632

The following table sets forth our return on assets, return on equity and equity to assets ratio for the periods indicated:

(%)	**2013**	2012	2011	2010	2009
					Year ended September 30,
Return on assets[1]	**1.13**	1.08	0.96	0.71	0.25
Return on equity after goodwill[2]	**17.14**	16.87	14.92	11.81	2.91
Equity to assets ratio[3]	**9.23**	9.06	9.26	8.76	8.10

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(1) Return on assets is net profit before dividends divided by average total assets.

(2) Return on equity after goodwill is net profit before dividends divided by average ordinary shareholders equity less average goodwill.

(3) Equity to assets ratio is average ordinary shareholders' equity divided by average total assets.

Short-term borrowings (U.S. and Euro Commercial Paper)

The following table sets forth details of our U.S. and Euro commercial paper short-term borrowings as at the dates indicated:

NZ$ millions, unless otherwise stated	**2013**	2012	2011
			As at September 30,
Balance at end of the year (including accrued interest)	**4,765**	5,445	4,790
Weighted average interest rate at end of the year (%)	**3.03**	3.35	3.18
Maximum amount outstanding at any month end during the year	**6,343**	6,170	7,173
Average amount outstanding during the year	**5,113**	4,726	4,417
Weighted average interest rate during the year (%)	**3.33**	3.68	3.28

Australia and New Zealand Banking Group Limited

The following information regarding our parent, ANZBGL, is presented solely for your reference. ANZBGL is not providing a guarantee or any other type of credit support of the ANZ NZ Notes or the ANZNIL Notes.

Introduction

ANZBGL and its subsidiaries (together the "ANZ Group"), is one of the four major banking groups headquartered in Australia. ANZ, began its Australian operations in 1835, and its New Zealand operations in 1840. ANZBGL is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on July 14, 1977. ANZBGL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia and the telephone number is +61 3 9683 9999. Its Australian Company Number is ACN 005 357 522.

As at the close of trading on September 30, 2013, ANZBGL had a market capitalization of A$84.5 billion. As at September 30, 2013, ANZBGL had total assets of A$619 billion, and shareholders' equity of A$39.07 billion. ANZBGL's principal ordinary share listing and quotation is on the Australian Securities Exchange ("**ASX**"). Its ordinary shares are also quoted on the New Zealand Stock Exchange ("**NZX**").

The Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. It conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. ANZBGL also operates in a number of other countries including the United Kingdom and the United States of America.

Principal activities of segments

The Group operates and manages its results on a divisional structure with Australia, International & Institutional Banking ("IIB"), New Zealand and Global Wealth being the major operating divisions. Functions that service the organization globally are classified as Other.

Australia

The Australia division comprises Retail and Corporate and Commercial Banking and businesses. Retail includes Mortgages, Deposits, Cards and Payments along with the Retail Distribution Network. Corporate and Commercial Banking includes Corporate Banking, Esanda, Regional Business Banking, Business Banking and Small Business Banking.

Retail

- **Retail Distribution** delivers banking solutions to customers via the Australian branch network, ANZ Direct and specialist sales channels.
- **Retail Products** is responsible for delivering a range of products including mortgages, credit cards, personal loans, transaction banking, savings accounts and deposits, using capabilities in product, analytics, customer research, segmentation, strategy and marketing. It also provides online and electronic payment solutions for businesses.
  - Mortgages provides housing finance to consumers in Australia for both owner occupied and investment purposes.
  - Cards and Payments provides consumer and commercial credit cards, personal loans and merchant services.
  - Deposits provides transaction banking, savings and investment products, such as term deposits and cash management accounts.

Corporate and Commercial Banking

- **Corporate Banking** provides traditional relationship banking and sophisticated financial solutions, to corporate businesses, including largely private owned companies in the mid-market business segment.
- **Business Banking** provides a full range of banking services, including risk management, to metropolitan based small to medium sized business clients with a turnover of up to A$125 million.
- **Regional Business Banking** provides a full range of banking services to personal customers and to small business and agribusiness customers in rural and regional Australia.
- **Small Business Banking** provides a full range of banking services for metropolitan-based small

businesses in Australia with lending up to A$1 million.

- **Esanda** provides motor vehicle and equipment finance and investment products.

International and Institutional Banking

The International and Institutional Banking division comprises Global Institutional, Retail Asia Pacific and Asia Partnerships business units, along with Relationship & Infrastructure.

- **Global Institutional** provides global financial services to government, corporate and institutional clients with a focus on solutions for clients with complex financial needs, based on a deep understanding of their businesses and industries, with particular expertise in natural resources, agriculture and infrastructure. Institutional delivers transaction banking, specialized and relationship lending and markets solutions in Australia, New Zealand, Asia Pacific, Europe and America. This includes:

  - **Transaction Banking** provides working capital solutions including deposit products, cash transaction banking management, trade finance, international payments, and clearing services principally to institutional and corporate customers.

  - **Global Markets** provides risk management services to corporate and institutional clients globally in relation to foreign exchange, interest rates, credit, commodities, debt capital markets, wealth solutions and equity derivatives. Global Markets provides origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Global Markets also manages the Group's interest rate risk position and liquidity portfolio.

  - **Global Loans** provides term loans, working capital facilities and specialist loan structuring. It provides specialist credit analysis, structuring, execution and on-going monitoring of strategically significant customer transactions, including project and structured finance, debt structuring and acquisition finance, loan product structuring and management, structured asset and export finance.

- **Retail Asia Pacific** which provides retail and small business banking services to customers in the Asia Pacific region and also includes investment and insurance products and services for Asia Pacific customers.

- **Asia Partnerships** which is a portfolio of strategic partnerships in Asia. This includes investments in Indonesia with PT Bank Pan Indonesia, in the Philippines with Metrobank Cards Corporation, in China with Bank of Tianjin and Shanghai Rural Commercial Bank, in Malaysia with AMMB Holdings Berhad and in Vietnam with Saigon Securities Incorporation.

- **Relationship & Infrastructure** includes client relationship management teams for global institutional and financial institution and corporate customers in Australia and Asia, corporate advisory and central support functions. Relationship and infrastructure also includes businesses within IIB which are discontinued.

New Zealand

For information on ANZBGL's New Zealand operations, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview – ANZ New Zealand" in this Offering Memorandum.

Global Wealth

The Global Wealth division comprises Funds Management, Insurance and Private Banking which provides investment, superannuation, insurance products and services as well as Private Banking for customers across Australia, New Zealand and Asia.

- **Global Private Banking** specializes in assisting individuals and families to manage, grow and preserve their wealth. The businesses within Private Banking & Other Wealth include Private Bank, ANZ Trustees, E*Trade, Investment Lending, Super Concepts and Other Wealth.

- **Funds Banking Management and Insurance** includes insurance OnePath Group (in Australia and New Zealand), ANZ Financial Planning, ANZ General Insurance, Lender's Mortgage Insurance and Online Investment Account.

Other

Other comprises Global Services & Operations, Group Technology and Group Center. Group Center includes Group Human Resources, Group Risk, Group Strategy, Group Corporate Affairs, Group Corporate Communications, Group Treasury, Global Internal Audit, Group Finance and Group Marketing, Innovation and Digital, Shareholder Functions and discontinued businesses. In addition, Other includes certain items which are removed from the divisional results because they are not considered integral to the ongoing performance of the divisions.

Restrictions on ANZBGL's ability to provide material financial support

In accordance with the requirements issued by APRA pursuant to its Prudential Standards, ANZBGL, as our ultimate parent, may not provide material financial support to us contrary to the following:

- ANZBGL should not undertake any third party dealings with the prime purpose of supporting our business;
- ANZBGL must not hold unlimited exposures to us (e.g., not provide a general guarantee covering any of our obligations);
- ANZBGL must not enter into cross default clauses whereby a default by us on an obligation (whether financial or otherwise) is deemed to trigger a default of ANZBGL in its obligations;
- the Board of ANZBGL, in determining limits on acceptable levels of exposure to us should have regard to:
    - the level of exposure that would be approved to unrelated third parties of broadly equivalent credit status; and
    - the impact on ANZBGL's stand alone capital and liquidity positions and its ability to continue operating in the event of a failure by us; and
- ANZBGL must ensure that the level of exposure to us does not exceed the following limits (unless otherwise approved by APRA):
    - on an individual exposure basis, - 50% of ANZBGL's Level 1 capital base; and
    - on an aggregate exposure basis (being exposures to all authorized deposit taking institutions (as defined by the Banking Act 1959 of Australia) (including overseas-based equivalents) related to ANZBGL) - 150% of ANZBGL's Level 1 capital base.

ANZBGL has not provided material financial support to us contrary to any of the above requirements.

Additionally, the provision of any support by ANZBGL is subordinated to other obligations or debts required to be preferred by law, including without limitation the rights of holders of protected accounts pursuant to a statutory priority given to such accounts by the Banking Act of Australia 1959 (the "**Banking Act**"). The Banking Act requires APRA to exercise its powers and functions for the protection of the depositors of the several Australian ''authorized deposit-taking institutions" (''**ADIs**''), of which ANZBGL is one, and for the promotion of financial system stability in Australia.

Section 13A(3) of the Banking Act provides that if an ADI becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are available to meet the ADI's liabilities in the following order:

(a) first, the ADI's liabilities (if any) to APRA in respect of the repayment of any amounts which APRA has paid to that ADI's depositors under the financial claims scheme (the ''Financial Claims Scheme'') established under the Banking Act;

(b) second, the ADI's debts (if any) to APRA in reimbursement of APRA's costs incurred in exercising its powers and performing its functions under the Financial Claims Scheme in respect of the ADI;

(c) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI;

(d) fourth, the ADI's debts (if any) to the Reserve Bank of Australia;

(e) fifth, the ADI's liabilities (if any) under an industry support contract that is certified under section 11CB of the Banking Act; and

(f) sixth, the ADI's other liabilities (if any) in the order of their priority apart from paragraphs (a) to (e) above.

Section 16 of the Banking Act provides that APRA's costs (including costs in the nature of remuneration and expenses) of being in control of an ADI's business, or of having an administrator in control of an ADI's business, are payable from the ADI's funds and are a debt due to APRA. Subject to subsection 13A(3) of the

Banking Act, such debts due to APRA by an ADI have priority in a winding-up of the ADI over all other unsecured debts.

Further, under section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia, debts due by a bank (such as ANZBGL) to the Reserve Bank of Australia shall in a winding-up of that bank have, subject to subsection 13A(3) of the Banking Act, priority over all other debts.

The above description of the liabilities which are mandatorily preferred by law is not exhaustive.

Overview of the New Zealand Banking Industry

The RBNZ publishes a semi-annual Financial Stability Report, in which it assesses and reports on the soundness and efficiency of the New Zealand financial system. The following section is an excerpt from the RBNZ Financial Stability Report dated November 2013 (the "**RBNZ Report**"). The information in this section has been accurately reproduced and as far as we are aware and are able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. For more information, please see the full RBNZ Report, which is available from the RBNZ's website at http://www.rbnz.govt.nz/financial_stability/financial_stability_report/. The information in the RBNZ Report is not necessarily up to date as of the date of this Offering Memorandum. Additionally, it is not incorporated by reference herein and does not form part of this Offering Memorandum.

Overview

New Zealand's financial system remains sound. The banks are well capitalised and have strengthened their funding base, while non-performing loans continue to fall. All banks comfortably meet the new Basel III minimum capital requirements introduced at the start of the year. Core funding ratios are also well above the required level. The main threats to the financial system are the risks associated with growing imbalances in the housing market. The Reserve Bank has introduced measures to moderate these risks to financial stability.

The household sector has high levels of indebtedness relative to both historical and international norms. Although debt levels relative to income have eased from their 2007 peak, they have been increasing since late 2012. Of particular concern has been stronger housing lending, and a reduction in lending standards as reflected in the increased lending to borrowers with high loan-tovalue ratios ("**LVRs**"). Households and banks are highly exposed to the housing market, with housing representing a majority of household assets and bank lending.

From 2002 to 2007, New Zealand experienced one of the largest increases in house prices among the 34 OECD countries. While house prices fell after the 2008 Global Financial Crisis ("**GFC**"), house price inflation has increased over the past 18 months, taking house prices in some regions to well above their 2007 peaks. House prices in the Auckland and Christchurch markets, which together account for just over half of house sales, have risen by 17 percent and 8 percent respectively over the past year. House prices in the rest of the country have been increasing by a more modest 3 percent, but with larger increases in Taranaki, Hawke's Bay, Nelson/Marlborough and Otago. The OECD and IMF both believe that New Zealand's house prices are significantly overvalued.

Rapidly rising house prices in Auckland and Christchurch reflect both supply and demand pressures. In Auckland, housing construction has been low for some years, partly as a result of land use constraints. In Christchurch the housing stock was significantly damaged by the 2010 and 2011 earthquakes. Housing demand has been stimulated by a range of factors, including the broadening economic recovery; the effects of stronger net inward migration; the decline in mortgage rates; and the increased availability of credit.

If left unchecked, excessive increases in house prices increase the likelihood and potential magnitude of a correction in house prices following an economic downturn. These conditions could cause significant financial distress for some households, while lenders could suffer a decline in asset quality. In a severe downturn, banks and other intermediaries can become much less willing to lend to creditworthy borrowers.

The Reserve Bank has responded to this risk in two ways: by requiring the banks to hold more capital against high-LVR housing loans, and by requiring them to restrict the proportion of new high-LVR housing loans. Higher capital requirements introduced in September 2013 aim to improve financial stability by better reflecting the potential loss associated with high-LVR lending. LVR lending restrictions, introduced in October, will directly limit the amount of high-LVR lending the banks can undertake. Together, these policies are expected to slow housing lending and house price inflation and reduce the potential risks to bank balance sheets.

While it is still too early to draw conclusions on the effect of the policy initiatives, the initial evidence suggests there has been a change in market behaviour. Banks have increased the price of high-LVR mortgages, while significantly reducing high-LVR pre-approvals.

If New Zealand is to manage current imbalances in the housing market, it is critical that the underlying housing supply issues in Auckland and Christchurch be addressed. Restraining the growth in housing credit will only assist to moderate excess demand pressures in the short to medium term.

Outside the household sector, parts of the rural sector are also highly indebted. The dairy sector, in particular, is vulnerable to a fall in commodity prices or an increase in debt servicing costs. International dairy prices are at record levels, and are providing a significant boost to incomes in the dairy sector. Growth in farm debt has been modest and farm land prices are still below pre-crisis peaks. Nonetheless, a return to pre-2007 credit growth and spending patterns within the sector would present risks to financial stability.

More broadly, the New Zealand economy faces vulnerabilities associated with its high level of external debt. High external debt is the result of persistent current account deficits, which reflect a shortfall in national savings relative to investment. While private sector saving has improved in recent years, the Reserve Bank expects some worsening in the external balance as residential investment expands over the next 2–3 years. In this context, it is important that the improved savings performance is maintained and that the public sector deficit continues to reduce.

New Zealand's external debt is mainly intermediated through the banking system. Since 2008, strong growth in retail deposit funding has allowed banks to meet the lift in credit demand without significantly increasing their offshore funding. In the past six months, New Zealand banks have retained good access to wholesale funding markets, with risk spreads returning to levels not seen since before the GFC.

International financial market conditions have continued to improve, but remain fragile, as major economies continue to cope with imbalances revealed by the GFC. The European banking system remains vulnerable to high debt levels and modest economic growth. The United States economy is improving, and the authorities are now presented with the challenge of withdrawing the extraordinary monetary stimulus measures in an orderly manner. The US economy is also pushing up against its legislative public debt ceiling, which has created some policy uncertainty. The developing economies, which experienced relatively good economic growth in recent years, have started to slow. An abrupt slowdown in the Chinese economy could pose risks to New Zealand's international commodity prices.

Over the past six months the Reserve Bank has continued to enhance the prudential regulatory framework to strengthen the soundness of the New Zealand financial system. The Reserve Bank's review of the prudential regime for non-bank deposit-takers was completed in September 2013, and several legislative amendments are proposed to ensure the regime is appropriately targeted. A review has been undertaken of the oversight regime for payment and settlement systems, and it is expected that powers will be strengthened in this area. The licensing of insurers to comply with the prudential requirements under the Insurance (Prudential Supervision) Act 2010 was completed on September 9, 2013. This represented a major effort by the industry with 99 insurers granted licences.

Board of Directors of ANZ Bank New Zealand Limited

11.9.1
11.9.2

Composition of Board of Directors

At the date of this Offering Memorandum, the members of ANZ New Zealand's Board were as follows:

Name	Age	Position
John Judge	60	Chairman
David Hisco	50	Director and Chief Executive Officer
Antony Carter	56	Independent Non-Executive Director
Joan Withers	60	Independent Non-Executive Director
Mark Verbiest	55	Independent Non-Executive Director
Michael Smith	57	Non-Executive Director, Chief Executive Officer, ANZBGL
Shayne Elliott	49	Non-Executive Director, Chief Financial Officer, ANZBGL

For purposes of this Offering Memorandum, the business address of each member of the Board of Directors is ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand.

On October 10, 2013, Mr. Mark Verbiest was appointed as an independent non-executive Director and Chair of the Audit Committee of ANZ New Zealand Board of Directors. Mr. Verbiest is currently Chairman of Telecom Corporation and Transpower New Zealand Limited. He is also a Director of Frieightways Limited, Willis Bond Capital Partners Limited, Willis Bond General Partner Limited and a Board member of the Financial Markets Authority.

On September 30, 2013, Mr. Norman Geary, an independent non-executive Director, retired.

On July 1, 2013, Ms. Joan Withers joined the Board as an independent non-executive Director of ANZ New Zealand. Ms. Withers is currently Chair of Mighty River Power Limited, and is Deputy Chair of Television New Zealand.

As at the date of this Offering Memorandum, no conflicts of interest and no potential conflicts of interest exist between any duties owed to ANZ New Zealand by the members of its Board of Directors listed above and their private interests and/or other duties outside of the ANZ New Zealand Group. In respect of potential conflicts of interest that may arise in the future, ANZ New Zealand has processes for the management of such conflicts such that we do not expect any actual conflict of interest would arise.

The Board of ANZ New Zealand has adopted a Board Charter which sets out the Board's purpose, powers and responsibilities.

John Judge. Mr. Judge joined the Board on December 22, 2008. He was appointed Chairman on June 23, 2012 following the retirement of Sir Dryden Spring, the previous chairman. Mr. Judge was Chief Executive of Ernst & Young New Zealand from 1995 to 2007 and brings considerable experience in Australasian business and financial and analytical knowledge to the Board. He is also a director of Fletcher Building Limited, Fletcher Building Finance Limited, Greentide Limited and Greentide K4B3 Limited. He is also an advisory board member for the University of Otago School of Business.

David Hisco. Mr. Hisco was appointed Director and Chief Executive Officer of ANZ New Zealand on October 13, 2010. Previously, Mr. Hisco was ANZ Group Managing Director Commercial for Australia based in Melbourne. He was appointed to replace Dr. Jennifer Fagg who resigned as Chief Executive Officer and as a Director of ANZ New Zealand on September 1, 2010. Mr. Hisco is a member of the ANZBGL management board and Global Head of Commercial Banking. During his 30-year career at ANZ, Mr. Hisco has held a number of senior executive roles in retail and commercial banking, including two years as Managing Director of UDC in New Zealand between 1998 and 2000. He was appointed Chair of the New Zealand Banker's Association for the 2012/2013 year. Mr. Hisco holds a Bachelor of Business (Accounting) from Deakin University, a Graduate Diploma in Business Administration from Monash University, and an Executive Masters of Business Administration from Monash University (Mt Eliza).

Antony Carter. Mr. Carter was appointed as an independent non-executive director of ANZ New Zealand on August 26, 2011 following the resignation of Dr Don Brash. Mr. Carter was managing director of Foodstuffs (Auckland) and Foodstuffs (New Zealand), New Zealand's largest retail organisation, from 2001 to 2010. Mr. Carter has extensive experience in retailing, having joined Foodstuffs in 1994. Prior to this he owned and operated several Mitre 10 hardware stores, and was a director and later chairman of Mitre 10 New Zealand Limited. Mr. Carter is Chairman of Air New Zealand Limited, Blues Management Limited and Fisher and Paykel Healthcare Corporation. He is also a director of Fletcher Building Industries Limited and Fletcher Building Limited. He was recently appointed a director and Co-Chair of New Zealand Institute Limited.

Michael Smith OBE. Mr. Smith joined the ANZ Bank New Zealand Limited Board as a Director on October 1, 2007, following the retirement of Mr. John McFarlane as a Director on September 30, 2007. Mr. Smith also succeeded Mr. McFarlane as the Chief Executive and Managing Director of ANZBGL, the ultimate parent company of ANZ Bank New Zealand Limited. Mr. Smith is Chairman of the Australian Bankers' Association Incorporated; Executive Chairman of the Chongqing Mayor's International Economic Advisory Council; a director of The Financial Markets Foundation for Children, Financial Literacy Australia Limited, the International Monetary Conference and the Institute of International Finance; and a member of the Business Council of Australia, the Australian Government Financial Literacy Advisory Board, the Asia Business Council, and the Shanghai International Financial Advisory Council; and a Fellow of The Hong Kong Management Association. Until June 2007, Mr. Smith was President and Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited. Previous positions held by Mr. Smith include Chairman, Hang Seng Bank Limited; Global Head of Commercial Banking for the HSBC Group; Chairman, HSBC Bank Malaysia Berhad; and Chief Executive Officer of HSBC Argentina Holdings SA. Mr. Smith joined the HSBC Group in 1978 and during his career he has held a wide variety of roles in Commercial, Institutional and Investment Banking, Planning and Strategy, Operations and General Management.

Shayne Elliott. Mr. Elliott was appointed a non-executive director of the Board of ANZ New Zealand on August 11, 2009. Mr. Elliott was appointed Chief Financial Officer of ANZBGL on June 1, 2012, formerly holding the position of Chief Financial Officer Designate with ANZBGL from March 1, 2012 and prior to that, Chief Executive Officer, Institutional with ANZBGL. Mr. Elliott took up the position of Chief Executive Officer, Institutional with ANZBGL in June 2009, having spent more than twenty years at Citigroup. Before joining ANZBGL, Mr. Elliott was Head of Business Development for EFG Hermes, the largest investment bank in the Middle East. Mr. Elliott has a significant breadth of experience in banking at a regional and a country level, and in all aspects of the industry.

Joan Withers. Mrs. Withers was appointed as an independent non-executive Director of the Board of ANZ New Zealand on July 1, 2013. Mrs. Withers has an extensive career in management and governance roles in New Zealand, being the former CEO of Fairfax Media and The Radio Network and current Deputy Chairperson of Television New Zealand Limited. Mrs. Withers is also the Chair of Mighty River Power Limited and is on the advisory board of The Treasury. Mrs. Withers has an MBA from the University of Auckland and is the author of "A Girl's Guide to Business" which was published by Penguin in 1998.

Mark Verbiest. Mr. Verbiest was appointed as an independent Director of the Board of ANZ New Zealand on October 10, 2013. Mr. Verbiest has extensive experience in telecommunications, corporate governance and the digital economy. Mr. Verbiest brings a wealth of knowledge gained from a variety of sectors, including SOEs, Government bodies and the private sector. Mr. Verbiest is currently Chairman of Telecom Corporation of New Zealand Limited, Transpower New Zealand Limited and Willis Bond Capital Partners Limited. Mr. Verbiest is also a Director of Freightways Limited and a Board member of the Financial Markets Authority.

Remuneration of ANZ New Zealand directors

Our directors were paid an aggregate of $616,742.06, $641,454.78 and $647,297.22 in directors' fees for the years ended September 30, 2013, 2012 and 2011 respectively.

Related party transactions

As permitted under New Zealand law, we extend loans to directors and executives. Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons.

Board committees

To assist in the execution of its responsibilities, the Board has established committees, including an Audit Committee, a Remuneration Committee and a Risk Committee, each with a charter, to assist and support the Board in the conduct of its duties and obligations. The Chairman of the Board is a member of each committee.

Audit Committee-The purpose of the Audit Committee is to assist the Board in its review and approval of:

(a) The financial reporting principles and policies, controls, systems and procedures of ANZ New Zealand and its subsidiaries;

(b) The compliance of ANZ New Zealand and its subsidiaries with applicable local financial reporting, prudential reporting and audit requirements as well as those of ANZ Group;

(c) The effectiveness of ANZ New Zealand's internal control and risk management framework;

(d) The work and internal audit standards of internal audit;

(e) The integrity of ANZ New Zealand's and its subsidiaries' financial statements and the independent audit thereof and compliance with relevant legal and regulatory requirements thereof;

(f) Any due diligence and the provision of significant reports to regulatory bodies; and

(g) Prudential supervision procedures required by regulatory bodies to the extent relating to financial reporting.

The current members of the Audit Committee are Mr. Verbiest (Chairman), Mr. Judge, Mr. Elliott, Mrs. Withers and Mr. Carter.

Remuneration Committee-This committee is responsible for reviewing and, where necessary, making recommendations to the Board in respect of remuneration policies and terms of service, including remuneration relating to the Chairperson, Directors, Chief Executive, and nominated senior management and executive officers.

The current members of the Remuneration Committee are Mr. Judge (Chairman), Mr. Carter, Mr. Verbiest and Mr. Smith.

Risk Committee-The purpose of the Risk Committee is to:

(a) Assist ANZ New Zealand's Board in the effective discharge of its responsibilities for business, market, credit, capital, financial, operational, compliance, liquidity and reputational risk management; and

(b) Liaise and consult with the ANZ Group Risk Committee to assist it to discharge its responsibilities.

The current members of the Risk Committee are Mr. Carter (Chairman), Mr. Verbiest, Mr. Judge, and Mr. Elliott.

Board practices

Currently, our Board consists of seven directors, four of whom are independent non-executive directors. The Board includes one executive of ANZ New Zealand (the Chief Executive) and two executives of ANZBGL. Board composition is reviewed when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board.

Under our Conditions of Registration, no appointment of any director or chief executive officer or chairperson shall be made to the Board unless a copy of the curriculum vitae of the proposed appointee has been provided to the RBNZ and the RBNZ has advised that it has no objection to the appointment. The Conditions of Registration require that at least half of the directors on the Board be independent and that the chairperson is not an employee of ANZ New Zealand.

The Board collectively and each director individually has the right to seek independent professional advice at our expense.

In accordance with the Companies Act 1993 of New Zealand, directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with our own interests. A director who is interested in a transaction may attend meetings and vote on a matter relating to the transaction. However, the Board has adopted a guideline whereby a director with an interest in a transaction should not be present during any discussions, and should not vote on any matter pertaining to that particular transaction.

ANZ New Zealand's constitution

ANZ New Zealand's constitution is available online on the searchable register at www.business.govt.nz/companies/. Under ANZ New Zealand's constitution, the Board holds all necessary powers for the management of the business and operation of the company. In particular, there are no restrictions in ANZ New Zealand's constitution on ANZ New Zealand borrowing or providing a guarantee.

The Board has the power to issue shares in different classes and on different terms and conditions. Under the constitution, the Board is expressly authorized to issue further shares ranking equally with, or in priority to, existing shares, whether as to voting rights or distributions or otherwise and such issue is not deemed to be an action affecting the rights attached to the existing shares. However, where ANZ New Zealand takes action which affects the rights attached to shares (other than by way of issue of further shares ranking equally with, or in priority to, existing shares) such action must be approved by special resolution of each affected interest group. There are no restrictions in ANZ New Zealand's constitution on changes in capital, rights to own securities or restrictions on foreign shareholders.

There is no shareholding qualification for directors of ANZ New Zealand, and no mandatory retirement age. The Board has the power to fix each director's remuneration and ANZ New Zealand shall indemnify every director or employee out of the assets of ANZ New Zealand to the maximum extent permitted by law. Directors can be appointed and removed by the shareholders of ANZ New Zealand, although the Board has the power at any time to also appoint directors.

Under the Companies Act 1993 of New Zealand, directors who are interested in a transaction of ANZ New Zealand are required to disclose their interest. Failure to disclose this interest will not affect the validity of the transaction or the ability of the director to attend and vote at the relevant board meeting, but the director can be personally liable and if ANZ New Zealand does not receive fair value under the transaction, the transaction may be voided within three months of its disclosure to all shareholders of ANZ New Zealand.

In regard to shareholders, the power to:

- alter, revoke or adopt a new constitution,
- approve a major transaction, or
- approve an amalgamation, put ANZ New Zealand into liquidation or apply for the removal of ANZ New Zealand from the register of companies,

must be exercised by special resolution of the shareholders under the Companies Act 1993 of New Zealand. All other powers reserved to shareholders may be exercised by an ordinary resolution of shareholders. Resolutions can be passed at a meeting of shareholders or pursuant to a written resolution in lieu of a meeting.

Board of Directors of ANZNIL 9.9.1

At the date of this Offering Memorandum, the members of ANZNIL's Board were as follows:

Name	Age	Principal Outside Activities
David Hisco	50	Chief Executive Officer and Director, ANZ New Zealand
Antonia Watson	44	Chief Financial Officer, ANZ New Zealand
Anthony Bradshaw	54	Managing Director of the New Zealand Branch of ANZBGL and Head of Asset and Liability Management, ANZ New Zealand

For purposes of this Offering Memorandum, the business address of each director of the board of ANZNIL is ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand.

As at the date of this Offering Memorandum, no conflicts of interest and no potential conflicts of interest exist between any duties owed to ANZNIL by the members of its board of directors listed above and their private interests and/or other duties outside of ANZNIL. In respect of potential conflicts of interest that may arise in the future, ANZNIL has processes for the management of such conflicts such that we do not expect any actual conflict of interest would arise. However, the Board acts in accordance with a guideline whereby a director with an interest in a transaction should not be present during any discussions, and should not vote on any matter pertaining to that particular transaction. 9.9.2

Description of the Notes and the Guarantee

6.2
13.4.7(B)

The general terms of the ANZ NZ Notes and the ANZNIL Notes are identical, except as described herein and except that the ANZNIL Notes will have the benefit of ANZ New Zealand's Guarantee as described further in the "Guarantee". For convenience and unless otherwise indicated, in this section entitled "Description of the Notes and the Guarantee," references to "we", "our" and "us" refer to ANZ New Zealand or ANZNIL, as the applicable Issuer of the debt securities. However, references to "ANZ New Zealand" refer only to ANZ Bank New Zealand Limited and not to its consolidated subsidiaries. Also, in this section, references to "Holders" mean those persons who own Notes registered in their own names, on the books that ANZ New Zealand, ANZNIL or the Fiscal Agent maintains for this purpose, and not those persons who own beneficial interests in Notes registered in street name or in Notes issued in book-entry form through the Depositary. Owners of beneficial interests in the Notes should read the section below entitled "Legal Ownership and Book-Entry Issuance".

This section summarizes the material terms that will apply generally to the Notes. Each Tranche will have financial and other terms specific to it, and the specific terms of each Note will be described in the Final Terms that will accompany this Offering Memorandum. Such Final Terms will be in substantially the form attached as Annex B to this Offering Memorandum.

As you read this section, please remember that the specific terms of your Note as described in your Final Terms will supplement the general terms described in this section.

This section is only a summary

13.4.3(A)

The Fiscal Agency Agreement and its associated documents, including your Note and your Final Terms, contain the full legal text of the matters described in this section. The Fiscal Agency Agreement, the Guarantee and the Notes are governed by New York law, except as to authorization and execution by ANZ New Zealand and ANZNIL of these documents, which are governed by the laws of New Zealand. See "Available information" for information on how to obtain a copy of the Fiscal Agency Agreement.

This section and your Final Terms summarize all the material terms of the Fiscal Agency Agreement and your Note. They do not, however, describe every aspect of the Fiscal Agency Agreement and your Note. For example, in this section entitled "Description of the Notes and the Guarantee" and your Final Terms, we use terms that have been given special meaning in the Fiscal Agency Agreement, but we describe the meaning of only the more important of those terms.

The Notes will be issued under the Fiscal Agency Agreement

The Notes are governed by a document called a Fiscal Agency Agreement. The Fiscal Agency Agreement is a contract between ANZNIL, ANZ New Zealand, both as Issuer of the ANZ NZ Notes and as Guarantor of the ANZNIL Notes, and The Bank of New York Mellon, which will initially act as fiscal agent and paying agent (the "**Fiscal Agent**"). The Fiscal Agent performs administrative duties for us such as sending you interest payments and notices.

See "Our relationship with the Fiscal Agent" below for more information about the Fiscal Agent.

We may issue other series of debt securities

The Fiscal Agency Agreement permits us to issue different series of debt securities from time to time. We may also issue Notes in such amounts, at such times and on such terms as we wish. The Notes will differ from one another, and from other series, in their terms.

When we refer to the "**Notes**" or these "**Notes**", we mean ANZ New Zealand's Medium-Term Notes, Series A, or ANZNIL's Medium-Term Notes, Series A, as applicable. When we refer to the "**Series A Medium-Term Notes**" or "**ANZ NZ Notes**", we mean ANZ New Zealand's Medium-Term Notes, Series A or ANZNIL's Medium-Term Notes, Series A, as applicable. When we refer to "**ANZNIL Notes**", we mean ANZNIL's Medium-Term Notes, Series A. When we refer to a "**Series**" of debt securities, we mean a series, such as the Series A Notes or the Series B Notes, issued under the Fiscal Agency Agreement.

Amounts that we may issue

The Fiscal Agency Agreement does not limit the aggregate amount of debt securities that we may issue, nor does it limit the number of series or the aggregate amount of any particular series that we may issue. Also, if we issue Notes having the same terms in a particular offering, we may "reopen" that offering at any later time and offer additional Notes having those terms.

We intend to issue Notes from time to time, initially in an amount having the aggregate offering price specified on the cover of this Offering Memorandum. However, we may issue additional Notes in amounts that exceed the amount on the cover at any time, without your consent and without notifying you.

Our affiliates may use this Offering Memorandum to resell Notes in market-making transactions from time to time, including both Notes that we have issued before the date of this Offering Memorandum and Notes that we have not yet issued. We describe these transactions under “Notice to Purchasers” and “Plan of Distribution” below.

The Fiscal Agency Agreement and the Notes do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Notes or the Fiscal Agency Agreement.

Guarantee

ANZ New Zealand will fully and unconditionally guarantee to each Holder of an ANZNIL Note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of, and premium, if any, and interest on, such ANZNIL Note, when and as the same shall become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of such ANZNIL Note and of the Fiscal Agency Agreement.

How the Notes and Guarantee rank against other debt 13.4.6(A)

Neither the Notes nor the Guarantee will be secured by any property or assets of ANZ New Zealand or its subsidiaries, including ANZNIL. Thus, by owning a Note, you are one of our unsecured creditors.

Neither the Notes nor the Guarantee will be subordinated to any of ANZ New Zealand’s or, in the case of the ANZNIL Notes, ANZNIL’s other debt obligations. This means that, in a bankruptcy or liquidation proceeding against us or ANZNIL, the Notes and Guarantee would rank equally in right of payment with all of ANZ New Zealand’s and ANZNIL’s other unsecured and unsubordinated debt, except for obligations mandatorily preferred by law.

Principal amount, stated maturity and maturity

The principal amount of a Note means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a Note is its face amount. The term “stated maturity” with respect to any Note means the day on which the principal amount of your Note is scheduled to become due, as specified in the relevant Final Terms. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the Note. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

We also use the terms “**stated maturity**” and “**maturity date**” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an instalment of interest is scheduled to become due as the “stated maturity” of that instalment.

When we refer to the “**stated maturity**” or the “**maturity date**” of a Note without specifying a particular payment, we mean the stated maturity or maturity date, as the case may be, of the principal.

Currency of Notes

13.4.5(C)

Amounts that become due and payable on your Note in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your Final Terms. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “**Specified Currency**”. The Specified Currency for your Note will be U.S. dollars, unless your Final Terms states otherwise. Some Notes may have different Specified Currencies for principal, premium and interest. You will have to pay for your Notes by delivering the requisite amount of the Specified Currency for the principal to any of the Agents that we name in your Final Terms, unless other arrangements have been made between you and us or you and any such Agents. We will make payments on your Notes in the Specified Currency, except as described below in “-Payment mechanics for Notes”. See “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency” below for more information about risks of investing in Notes of this kind.

Types of Notes

13.4.2(i)(B)
13.4.8(vi)(A)

We may issue any of the following types of Notes and any other types of Notes that may be described in a supplement hereto:

Fixed Rate Notes

A Note of this type (a "**Fixed Rate Note**") will bear interest at a fixed rate described in the relevant Final Terms. This type includes notes which bear no interest and are instead issued at a price lower than the principal amount ("**Zero Coupon Notes**"). See "— Original Issue Discount Notes" below for more information about Zero Coupon Notes and other Original Issue Discount Notes.

Each Fixed Rate Note, except any Zero Coupon Note, will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Fixed Rate Note at the fixed yearly rate stated in the relevant Final Terms, until the principal is paid or made available for payment or the Note is converted or exchanged. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the maturity date. We will compute interest on Fixed Rate Notes on the basis of a 360-day year of twelve 30-day months or, if specified in your Final Terms, on the basis of a 365-day year. We will pay interest on each interest payment date and on the maturity date as described below under "-Payment mechanics for Notes".

Floating Rate Notes

A Note of this type (a "**Floating Rate Note**") will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a Spread or multiplying by a Spread Multiplier (each as defined herein) and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in "-Interest rates-Floating Rate Notes".

Each Floating Rate Note will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Floating Rate Note at the yearly rate determined according to the interest rate formula stated in the relevant Final Terms, until the principal is paid or made available for payment or until it is converted or exchanged. We will pay interest on each interest payment date and on the maturity date as described below under "-Payment mechanics for Notes".

Original Issue Discount Notes

A Note of this type (an "**Original Issue Discount Note**") may be a Fixed Rate Note or a Floating Rate Note. An Original Issue Discount Note is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An Original Issue Discount Note may be a Zero Coupon Note. A Note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered to have been issued with original issue discount, regardless of the amount payable upon redemption or acceleration of maturity. See "Taxes — United States federal income taxation — United States Holders — Original issue discount" below for a brief description of the U.S. federal income tax consequences of owning a Note considered to have been issued with original discount for U.S. federal income tax purposes.

Information in the Final Terms

Your Final Terms will describe one or more of the following terms of your Notes:

- the title of your Notes;
- the stated maturity;
- the Specified Currency or currencies for principal, premium and interest, if not U.S. dollars;
- the price at which we originally issue your Note, expressed as a percentage of the principal amount, and the issue date;
- whether your Note is a Fixed Rate Note, a Floating Rate Note, an Original Issue Discount Note (which may be a Zero Coupon Note) or any combination of the foregoing;
- if your Note is a Fixed Rate Note, the yearly rate at which your Note will bear interest, if any, and the interest payment dates, if different from those stated below under "-Interest rates-Fixed Rate Notes", and the conditions, if any, under which each Note may convert into or be exchangeable for a Floating Rate Note;
- if your Note is a Floating Rate Note, the interest rate basis, which may be one of the eleven Base Rates described in "-Interest rates-Floating Rate Notes" below; any applicable index currency or Index Maturity (each, as defined herein), Spread or Spread Multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and interest payment dates; the day count used to calculate interest payments for any period; and the Calculation Agent, all of which we describe under

"-Interest rates-Floating Rate Notes" below and the conditions, if any, under which each Note may convert into or be exchangeable for a Fixed Rate Note;

- if your Note is an Original Issue Discount Note, the yield to maturity;
- if applicable, the circumstances under which your Note may be redeemed at our option or repaid at the Holder's option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s), all of which we describe under "—Redemption and repayment" below;
- the authorized denominations, if other than denominations of US$200,000, and multiples of US$1,000;
- the Depositary for your Note, if other than DTC, and any circumstances under which the Holder may request Notes in non-global form, if we choose not to issue your Note in book-entry form only;
- the name of each offering Agent;
- the discount or commission to be received by the offering Agent or Agents;
- the net proceeds to the Issuer; and
- the names and duties of any co-agents, depositaries, Paying Agents, transfer agents, exchange rate agents or registrars for your Note.

Form of Notes

13.4.4(i)(A)

We will issue each Note in global-i.e., book-entry-form only. Notes in book-entry form will be represented by a global security registered in the name of a Depositary, which will be the Holder of all the Notes represented by the global security. Those who own beneficial interests in a Global Note (as defined under "Legal Ownership and Book-Entry Issuance — What is a Global Note?") will do so through participants in the Depositary's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the Depositary and its participants. We describe Global Notes below under "Legal Ownership and Book-Entry Issuance".

In addition, we will issue each Note in registered form, without coupons.

Interest Rates

This subsection describes the different kinds of interest rates that may apply to your Note, if it bears interest.

Fixed Rate Notes

13.4.8(ii)(B)
13.4.8(iii)(C)
13.4.8(iv)(C)
13.4.8(vii)(C)
13.4.8(viii)(B)
13.4.8(vi)(A)
13.4.10(C)

Interest on a Fixed Rate Note will be payable annually or semi-annually on the date or dates specified in your Final Terms and at maturity. Any payment of principal, premium and interest for any Fixed Rate Note required to be made on an interest payment date that is not a business day (as defined herein) will be postponed to the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the interest payment date to the date of that payment on the next succeeding business day. For each Fixed Rate Note that bears interest, interest will accrue, and we will compute and pay accrued interest, as described under "-Types of Notes-Fixed Rate Notes" above and "-Payment mechanics for Notes" below. The yield for Fixed Rate Notes will be specified in your Final Terms. This yield is calculated as at the Issue Date and on the basis of the issue price.

Floating Rate Notes

In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and we define these terms in "-Special rate calculation terms" at the end of this subsection.

For each Floating Rate Note, interest will accrue, and we will compute and pay accrued interest, as described under "-Types of Notes-Floating Rate Notes" above and "-Payment mechanics for Notes" below. In addition, the following will apply to Floating Rate Notes.

Base Rates

13.4.8(ii)(B)
13.4.8(iii)(C)
13.4.8(iv)(C)
13.4.8(vii)(C)
13.4.8(viii)(B)

We currently expect to issue Floating Rate Notes that bear interest at rates based on one or more of the following "Base Rates":

- Commercial Paper Rate;
- Prime Rate;
- LIBOR;

- EURIBOR;
- Treasury Rate;
- CMT Rate;
- CD Rate;
- Federal Funds Rate;
- New Zealand Bank Bill Rate;
- Australian Bank Bill Rate; and/or
- Eleventh District Cost of Funds Rate.

We describe each of the Base Rates in further detail below in this subsection.

If you purchase a Floating Rate Note, your Final Terms will specify the type of Base Rate that applies to your Note.

Each Floating Rate Note will be issued as described below. The applicable Note and any relevant Final Terms will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a "Regular Floating Rate Note," a "Floating Rate/Fixed Rate Note," a "Fixed Rate/Floating Rate Note," or an "Inverse Floating Rate Note," the Fixed Rate Commencement Date or Floating Rate Commencement Date (each as defined herein), if applicable, the fixed interest rate, if applicable, Base Rate, initial interest rate, if any, initial Interest Reset Date, interest reset period and dates, interest period and dates, record dates, Index Maturity, maximum interest rate and/or minimum interest rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If the applicable Base Rate is LIBOR or the CMT Rate, the applicable Note and any relevant Final Terms will also specify the index currency and the Designated LIBOR Page or the Designated CMT Reuters Page, as applicable, as such terms are defined below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

- unless such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," a "Fixed Rate/Floating Rate Note" or an "Inverse Floating Rate Note," or as having an addendum attached or having "other/additional provisions" apply, in each case relating to a different interest rate formula, such Floating Rate Note will be designated as a "Regular Floating Rate Note" and, except as described below or as specified in the applicable Note, will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date occurring after the issue date (the "initial Interest Reset Date"), the rate at which interest on such Regular Floating Rate Note shall be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate;
- if such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," then, except as described below or as specified in the applicable Note, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the initial Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that (x) the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate and (y) the interest rate in effect for the period commencing on the date specified in the relevant Final Terms (the "Fixed Rate Commencement Date") to the maturity date will be the fixed interest rate, if such rate is specified in the applicable Note and the relevant Final Terms or, if no such fixed interest rate is specified, the interest rate in effect thereon on the business day immediately preceding the Fixed Rate Commencement Date;
- if such Floating Rate Note is designated as a "Fixed Rate/Floating Rate Note," then, except as described below or as specified in the applicable Note and the relevant Final Terms, such Floating Rate Note will bear interest at the fixed rate specified in such Note from the issue date to the date specified in the relevant Final Terms (the "Floating Rate Commencement Date") and the interest rate in effect for the period commencing on such Floating Rate Commencement Date will be the rate determined by reference to the applicable Base Rate (x) plus or minus the applicable Spread, if any, and/or (y) multiplied by the applicable Spread Multiplier, if any, each as specified in such Note or the relevant Final Terms. Commencing on the first Interest Reset Date after such Floating Rate Commencement Date, the rate at which interest on such Fixed Rate/Floating Rate Note will be payable will be reset as at each Interest Reset Date;
- if such Floating Rate Note is designated as an "Inverse Floating Rate Note," then, except as described below or as specified in the applicable Note, such Floating Rate Note will bear interest at the fixed interest rate minus the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that, unless otherwise specified in the applicable Note and the relevant Final Terms, the

interest rate thereon will not be less than zero. Commencing on the initial Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate.

Initial Base Rate. For any Floating Rate Note, the Base Rate in effect from the issue date to the first Interest Reset Date will be the "Initial Base Rate" as specified in the relevant Final Terms. We will specify the Initial Base Rate in the relevant Final Terms.

Spread or Spread Multiplier. In some cases, the Base Rate for a Floating Rate Note may be adjusted:

- by adding or subtracting a specified number of basis points, called the "Spread", with one basis point being 0.01%; or
- by multiplying the Base Rate by a specified percentage, called the "Spread Multiplier".

If you purchase a Floating Rate Note, your Final Terms will specify whether a Spread or Spread Multiplier will apply to your Note and, if so, the amount of the Spread or Spread Multiplier.

Maximum and minimum Rates. The actual interest rate, after being adjusted by the Spread or Spread Multiplier, may also be subject to either or both of the following limits:

- a maximum rate-i.e., a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or
- a minimum rate-i.e., a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a Floating Rate Note, your Final Terms will specify whether a maximum rate and/or minimum rate will apply to your Note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a Floating Rate Note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. federal law of general application. Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than US$250,000 is 16% and for any loan in the amount of US$250,000 or more but less than US$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of US$2,500,000 or more.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a Floating Rate Note.

Interest Reset Dates. The rate of interest on a Floating Rate Note will be reset by the Calculation Agent daily, weekly, monthly, quarterly, semi-annually, annually or at some other interval specified in the relevant Final Terms. The date on which the interest rate resets and the reset rate becomes effective is called the Interest Reset Date. The Interest Reset Date will be as follows:

- for Floating Rate Notes that reset daily, each business day;
- for Floating Rate Notes that reset weekly and are not Treasury Rate Notes, the Wednesday of each week;
- for Treasury Rate Notes that reset weekly, the Tuesday of each week, except as otherwise described in the next to last paragraph under "-Interest Determination Dates" below;
- for Floating Rate Notes that reset monthly and are not Eleventh District Cost of Funds Rate Notes, the third Wednesday of each month;
- for Eleventh District Cost of Fund Rate Notes that reset monthly, the first calendar day of each month;
- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of each of two months of each year as specified in the relevant Final Terms; and
- for Floating Rate Notes that reset annually, the third Wednesday of one month of each year as specified in the relevant Final Terms.

For a Floating Rate Note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest Interest Reset Date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

The Base Rate in effect from the issue date to the first Interest Reset Date will be the Initial Base Rate. For Floating Rate Notes that reset daily or weekly, the Base Rate in effect for each day following the second business day before an interest payment date to, but excluding, the interest payment date, and for each day following the second business day before the maturity date to, but excluding, the maturity date, will be the Base Rate in effect on that second business day.

If any Interest Reset Date for a Floating Rate Note would otherwise be a day that is not a business day, the Interest Reset Date will be postponed to the next day that is a business day. For a EURIBOR or LIBOR Note, however, if that business day is in the next succeeding calendar month, the Interest Reset Date will be the immediately preceding business day.

Interest Determination Dates. The interest rate that takes effect on an Interest Reset Date will be determined by the Calculation Agent by reference to a particular date called an "Interest Determination Date". Except as otherwise specified in the relevant Final Terms:

- For all Floating Rate Notes other than Eleventh District Cost of Funds Rate Notes, LIBOR Notes, EURIBOR Notes, Treasury Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second business day before the Interest Reset Date.
- For Eleventh District Cost of Funds Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the last working day in the first calendar month preceding that Interest Reset Date, on which the FHLB of San Francisco publishes the index (as defined herein). We refer to an Interest Determination Date for an Eleventh District Cost of Funds Rate Note as an "Eleventh District Cost of Funds Rate Note Interest Determination Date".
- For LIBOR Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second London business day preceding the Interest Reset Date, unless the index currency is pounds sterling, in which case the Interest Determination Date will be the Interest Reset Date. We refer to an Interest Determination Date for a LIBOR Note as a "LIBOR Interest Determination Date".
- For EURIBOR Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second euro business day preceding the Interest Reset Date. We refer to an Interest Determination Date for a EURIBOR Note as a "EURIBOR Interest Determination Date".
- For Treasury Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date, which we refer to as a "Treasury Interest Determination Date", will be the day of the week in which the Interest Reset Date falls on which Treasury Bills-i.e., direct obligations of the U.S. government-would normally be auctioned. Treasury Bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the Treasury Interest Determination Date relating to the Interest Reset Date occurring in the next succeeding week. If the auction is held on a day that would otherwise be an Interest Reset Date, then the Interest Reset Date will instead be the first business day following the auction date.
- For Australian Bank Bill Rate Notes and New Zealand Bank Bill Rate Notes, the Interest Determination Date will be the same day as the Interest Reset Date.

The "Interest Determination Date" pertaining to a Floating Rate Note, the interest rate of which is determined by reference to two or more Base Rates, will be the most recent business day which is at least two business days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Base Rate is determinable. Each Base Rate will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Interest Calculation Dates. As described above, the interest rate that takes effect on a particular Interest Reset Date will be determined by reference to the corresponding Interest Determination Date. Except for LIBOR Notes, EURIBOR Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. The interest calculation date will be the earlier of the following:

- the tenth calendar day after the Interest Determination Date or, if that tenth calendar day is not a business day, the next succeeding business day; and
- the business day immediately preceding the interest payment date or the maturity date, whichever is the day on which the next payment of interest will be due.

The Calculation Agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

Interest Payment Dates. The interest payment dates for a Floating Rate Note will depend on when the interest rate is reset and, unless we specify otherwise in the relevant Final Terms, will be as follows:

- for Floating Rate Notes that reset daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the relevant

Final Terms;

- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of the two months of each year specified in the relevant Final Terms; or
- for Floating Rate Notes that reset annually, the third Wednesday of the month specified in the relevant Final Terms.

Regardless of these rules, if a Note is originally issued after the Regular Record Date (as defined herein) and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

If any interest payment date other than the maturity date for any Floating Rate Note would otherwise be a day that is not a business day, that interest payment date will be postponed to the next succeeding business day, except that in the case of a LIBOR Note or a EURIBOR Note where that business day falls in the next succeeding calendar month, that interest payment date will be the immediately preceding business day. If the maturity date of a Floating Rate Note falls on a day that is not a business day, the required payment of principal, premium and interest will be made on the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the maturity date to the date of that payment on the next succeeding business day.

Calculation of interest. Calculations relating to Floating Rate Notes will be made by the "Calculation Agent", an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as ANZBGL. The relevant Final Terms for a particular Floating Rate Note will name the institution that we have appointed to act as the Calculation Agent for that Note as of its issue date. We have initially appointed The Bank of New York Mellon as our Calculation Agent for any Floating Rate Notes. We may appoint a different institution to serve as Calculation Agent from time to time after the issue date of the Note without your consent and without notifying you of the change. 13.4.8(xi)(C)

For each Floating Rate Note, the Calculation Agent will determine, on or before the corresponding interest calculation or determination date, the interest rate that takes effect on each Interest Reset Date. In addition, the Calculation Agent will calculate the amount of interest that has accrued during each interest period-i.e., the period from and including the issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the Calculation Agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the Floating Rate Note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be calculated by dividing the interest rate, expressed as a decimal, applicable to that day by the following:

- 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, Eleventh District Cost of Funds Rate Notes, EURIBOR Notes, CD Rate Notes and Federal Funds Rate Notes; or
- the actual number of days in the year, in the case of Treasury Rate Notes, CMT Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes.

Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide for that Note the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date. The Calculation Agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a Note will be rounded upward or downward, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upward, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a Floating Rate Note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the Base Rate that applies to a Floating Rate Note during a particular interest period, the Calculation Agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the Calculation Agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant Floating Rate Notes and its affiliates, and they may include affiliates of ANZ New Zealand.

Commercial Paper Rate Notes

If you purchase a Commercial Paper Rate Note, your Note will bear interest at a Base Rate equal to the Commercial Paper Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Commercial Paper Rate for each interest period will be the Money Market Yield of the rate for the relevant Interest Determination Date and for commercial paper having the Index Maturity specified in the applicable Final Terms, as published in H.15(519) under the heading "Commercial Paper-Financial". If the Commercial Paper Rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the Commercial Paper Rate will be the rate, for the relevant Interest Determination Date, for commercial paper having the Index Maturity specified in the applicable Final Terms, as published in H.15 daily update or any other recognized electronic source used for displaying that rate, in each case, under the heading "Commercial Paper-Financial".
- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the Commercial Paper Rate will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant Index Maturity and is placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency: the rates offered as of 11:00 A.M., New York City time, on the relevant Interest Determination Date, by three leading U.S. dollar commercial paper dealers in New York City selected by the Calculation Agent. 13.4.8(ix)(B) 13.4.8(x)(B)
- If fewer than three dealers selected by the Calculation Agent are quoting as described above, the Commercial Paper Rate for the new interest period will be the Commercial Paper Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, it will remain in effect for the new interest period.

Prime Rate Notes

If you purchase a Prime Rate Note, your Note will bear interest at a Base Rate equal to the Prime Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. The Prime Rate for each interest period will be the rate, for the relevant Interest Determination Date, published in H.15(519) under the heading "Bank Prime Loan". If the Prime Rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the Prime Rate will be the rate, for the relevant Interest Determination Date, as published in H.15 daily update, or another recognized electronic source used for the purpose of displaying that rate, in each case, under the heading "Bank Prime Loan".
- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the Prime Rate will be the arithmetic mean, as determined by the Calculation Agent, of the following rates as they appear on the Reuters Page US PRIME1: the rate of interest publicly announced by each bank appearing on that page as that bank's prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant Interest Determination Date.
- If fewer than four of these rates appear on the Reuters Page US PRIME1, the Prime Rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant Interest Determination Date, of three major banks in New York City selected by the Calculation Agent. For this purpose, the Calculation Agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.
- If fewer than three banks selected by the Calculation Agent are quoting as described above, the Prime Rate for the new interest period will be the Prime Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, it will remain in effect for the new interest period.

LIBOR Notes

If you purchase a LIBOR Note, your Note will bear interest at a Base Rate equal to LIBOR for deposits in U.S. dollars or any other index currency, as specified in the applicable Final Terms. In addition, the applicable LIBOR Base Rate will be adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. LIBOR will be determined in the following manner:

- LIBOR will be the offered rate appearing on the Designated LIBOR Page, as of 11:00 A.M., London time, on the relevant LIBOR Interest Determination Date, for deposits of the relevant index currency having the relevant Index Maturity beginning on the relevant Interest Reset Date. The applicable Final Terms will indicate the index currency, the Index Maturity, and the Designated LIBOR Page that apply to your LIBOR Note.
- If no such rate appears on the Designated LIBOR Page, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR Interest Determination Date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: deposits of the index currency having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. The Calculation Agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR Interest Determination Date will be the arithmetic mean of the quotations. 13.4.8(ix)(B) 13.4.8(x)(B)
- If fewer than two quotations are provided as described in the prior paragraph, LIBOR for the relevant LIBOR Interest Determination Date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the principal financial center, on that LIBOR Interest Determination Date, by three major banks in that financial center selected by the Calculation Agent: loans of the index currency having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount.
- If fewer than three banks selected by the Calculation Agent are quoting as described in the prior paragraph, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

EURIBOR Notes

If you purchase a EURIBOR Note, your Note will bear interest at a Base Rate equal to the interest rate for deposits in euros designated as "EURIBOR" and sponsored jointly by the European Banking Federation and ACI-the Financial Market Association (or any company established by the joint sponsors for purposes of compiling and publishing that rate). In addition, the EURIBOR Base Rate will be adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the Index Maturity specified in the applicable Final Terms, beginning on the relevant Interest Reset Date, as that rate appears on Reuters Page EURIBOR01 as of 11:00 A.M., Brussels time, on the relevant EURIBOR Interest Determination Date.
- If the rate described in the prior paragraph does not appear on Reuters Page EURIBOR01, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant EURIBOR Interest Determination Date, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the Calculation Agent: euro deposits having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. The Calculation Agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR Interest Determination Date will be the arithmetic mean of the quotations.
- If fewer than two quotations are provided as described in the prior paragraph, EURIBOR for the relevant EURIBOR Interest Determination Date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that EURIBOR Interest Determination Date, by four major banks in the euro-zone selected by the Calculation Agent: loans of euros having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. 13.4.8(ix)(B) 13.4.8(x)(B)
- If fewer than four banks selected by the Calculation Agent are quoting as described in the prior paragraph, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Treasury Rate Notes

If you purchase a Treasury Rate Note, your Note will bear interest at a Base Rate equal to the Treasury Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

"**Treasury Rate**" means the rate for the auction held on the Interest Determination Date of direct obligations of the United States (Treasury Bills) having the Index Maturity specified in the applicable Final Terms as that rate appears on Reuters Page US AUCTION10 or Reuters Page US AUCTION11 under the heading "INVEST RATE".

If the Treasury Rate cannot be determined in the manner described in the prior paragraph, the following procedures will apply:

- If the rate described above does not appear on either page by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), the Treasury Rate will be the bond equivalent yield of the auction rate, for the relevant Interest Determination Date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury. 13.4.8(ix)(B) 13.4.8(x)(B)
- If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the Treasury Rate will be the bond equivalent yield of the rate, for the relevant Interest Determination Date and for treasury bills having a remaining maturity closest to the specified Index Maturity, as published in H.15(519) under the heading "U.S. government securities/Treasury bills/secondary market".
- If the rate described in the prior paragraph does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the Treasury Rate will be the rate, for the relevant Interest Determination Date and for treasury bills having a remaining maturity closest to the specified Index Maturity, as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading "U.S. government securities/Treasury bills/secondary market".
- If the rate described in the prior paragraph does not appear in H.15 daily update, H.15(519) or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Treasury Rate will be the bond equivalent yield of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the specified Index Maturity: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, by three primary U.S. government securities dealers in New York City selected by the Calculation Agent.
- If fewer than three dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the Treasury Rate in effect for the new interest period will be the Treasury Rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CMT Rate Notes

If you purchase a CMT Rate Note, your Note will bear interest at a Base Rate equal to the CMT Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The CMT Rate will be any of the following rates displayed on the Designated CMT Reuters Page under the heading ". . . Treasury Constant Maturities . . ". for the designated CMT Index Maturity:

- if the Designated CMT Reuters Page is the Reuters Page FRBCMT, the rate for the relevant Interest Determination Date; or
- if the Designated CMT Reuters Page is the Reuters Page FEDCMT, the weekly or monthly average, as specified in the applicable Final Terms, for the week that ends immediately before the week in which the relevant Interest Determination Date falls, or for the month that ends immediately before the month in which the relevant Interest Determination Date falls, as applicable.

If the CMT Rate cannot be determined in this manner, the following procedures will apply.

- If the applicable rate described above is not displayed on the relevant Designated CMT Reuters Page at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the CMT Rate will be the applicable treasury constant maturity rate described above-i.e., for the designated CMT Index Maturity and for either the relevant Interest Determination Date or the weekly or monthly average, as applicable-as published in H.15(519) under the heading "Treasury Constant Maturities". 13.4.8(ix)(B) 13.4.8(x)(B)
- If the applicable rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury Rate, for the designated CMT Index Maturity and with reference to the relevant Interest Determination Date, that:
  - is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury, and
  - is determined by the Calculation Agent to be comparable to the applicable rate formerly displayed on the Designated CMT Reuters Page and published in H.15(519).

- If the rate described in the prior paragraph does not appear at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for the most recently issued Treasury Notes (as defined below) having an original maturity of approximately the designated CMT Index Maturity and a remaining term to maturity of not less than the designated CMT Index Maturity minus one year, and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent. In selecting these offered rates, the Calculation Agent will request quotations from five of these primary dealers and will disregard the highest quotation-or, if there is equality, one of the highest-and the lowest quotation-or, if there is equality, one of the lowest. “Treasury Notes” are direct, non-callable, fixed rate obligations of the U.S. government.
- If the Calculation Agent is unable to obtain three quotations of the kind described in the prior paragraph, the CMT Rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity, with a remaining term to maturity closest to the designated CMT Index Maturity and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent. In selecting these offered rates, the Calculation Agent will request quotations from five of these primary dealers and will disregard the highest quotation-or, if there is equality, one of the highest-and the lowest quotation-or, if there is equality, one of the lowest. If two Treasury Notes with an original maturity longer than the designated CMT Index Maturity have remaining terms to maturity that are equally close to the designated CMT Index Maturity, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.
- If fewer than five but more than two of these primary dealers are quoting as described in each of the prior two paragraphs, then the CMT Rate for the relevant Interest Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.
- If two or fewer primary dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the CMT Rate in effect for the new interest period will be the CMT Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CD Rate Notes

If you purchase a CD Rate Note, your Note will bear interest at a Base Rate equal to the CD Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The CD Rate will be the rate, for the relevant Interest Determination Date, for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable Final Terms, as published in H.15(519) under the heading “CDs (Secondary Market)”. If the CD Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the CD Rate will be the rate, for the relevant Interest Determination Date, described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “CDs (Secondary Market)”. 13.4.8(ix)(B) 13.4.8(x)(B)
- If the rate described in the prior paragraph does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the CD Rate will be the arithmetic mean of the following secondary market offered rates for negotiable U.S. dollar certificates of deposit of major U.S. money center banks with a remaining maturity closest to the specified Index Maturity, and in a representative amount: the rates offered as of 10:00 A.M., New York City time, on the relevant Interest Determination Date, by three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the Calculation Agent.
- If fewer than three dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the CD Rate in effect for the new interest period will be the CD Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Federal Funds Rate Notes

If you purchase a Federal Funds Rate Note, your Note will bear interest at a Base Rate equal to the Federal Funds Rate and adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. 13.4.8(ix)(B) 13.4.8(x)(B)

The Federal Funds Rate will be the rate for U.S. dollar federal funds for the relevant Interest Determination Date, as published in H.15(519) opposite the heading "Federal Funds (Effective)", as that rate is displayed on Reuters Page FEDFUNDS1 under the heading "EFFECT". If the Federal Funds Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above is not displayed on Reuters Page FEDFUNDS1 at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the Federal Funds Rate, for the relevant Interest Determination Date, will be the rate described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading "Federal funds (effective)".
- If the rate described in the prior paragraph is not displayed on Reuters Page FEDFUNDS1 and does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Federal Funds Rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the Business Day following the relevant Interest Determination Date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the Calculation Agent.
- If fewer than three brokers selected by the Calculation Agent are quoting as described in the prior paragraph, the Federal Funds Rate in effect for the new interest period will be the Federal Funds Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

New Zealand Bank Bill Rate Notes

If you purchase a New Zealand Bank Bill Rate Note, your Note will bear interest at a Base Rate equal to the New Zealand Bank Bill Rate as adjusted by the Spread or Spread Multiplier, if any, specified in your Final Terms.

The New Zealand Bank Bill Rate will be determined by the Calculation Agent on the relevant Interest Determination Date by taking the FRA settlement rate quoted on the Reuters Page BKBM as of 10:45 A.M., Wellington time for bank accepted bills of exchange (as defined in the Bills of Exchange Act 1908, New Zealand) having a term equal to the Index Maturity specified in your Final Terms. If the New Zealand Bank Bill Rate cannot be determined in this manner, the following procedures will apply:

- If the FRA settlement rate does not appear on the Reuters Page BKBM, as of 10:45 A.M., Wellington time, on the relevant Interest Determination Date, then the New Zealand Bank Bill Rate for that Interest Determination Date, will be determined by the Calculation Agent by taking the mean buying and selling rates for bank accepted bills of exchange (as defined in the Bills of Exchange Act 1908, New Zealand) having a term equal to the Index Maturity specified in your Final Terms, quoted to the Calculation Agent at approximately 10:45 A.M., Wellington time, on the Interest Reset Date by four major financial institutions in the New Zealand market authorized to quote on the Reuters Page BKBM selected by the Calculation Agent, eliminating the highest and the lowest mean rates and taking the arithmetic mean of the remaining mean rates and then, if necessary, rounding the resulting figure upwards to four decimal places. 13.4.8(ix)(B) 13.4.8(x)(B)
- If the financial institutions selected by the Calculation Agent are not quoting as described above, the New Zealand Bank Bill Rate in effect for the new interest period will be the New Zealand Bank Bill Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Australian Bank Bill Rate Notes

If you purchase an Australian Bank Bill Rate Note, your Note will bear interest at a Base Rate equal to the Australian BBSW Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Australian Bank Bill Rate will be determined by the Calculation Agent on the relevant Interest Determination Date by taking the rates quoted on the Reuters Page BBSW at approximately 10:15 A.M., Sydney time, on the relevant Interest Determination Date. If the Australian Bank Bill Rate cannot be determined in this manner, the following procedures will apply.

- If the rate does not appear on the Reuters Page BBSW, at approximately 10:15 A.M., Sydney time, on the relevant Interest Determination Date, then the Australian Bank Bill Rate, for that Interest Determination Date, will be determined by the Calculation Agent by taking the mean buying and selling rates for a bill (which for the purpose of this definition means a bill of exchange of the type specified for the purpose of quoting on the Reuters Page BBSW) having a tenor of the Index Maturity specified in the applicable Final Terms, quoted at approximately 10:15 A.M., Sydney time, on the Interest Determination Date by five major financial institutions in the Australian market authorized to 13.4.8(ix)(B) 13.4.8(x)(B) quote on the Reuters Page BBSW selected by the Calculation Agent on application by the Calculation Agent, eliminating the highest and the lowest mean rates and taking the arithmetic mean of the remaining mean rates and then, if necessary, rounding the resulting figure upwards to four decimal places.

- If the financial institutions selected by the Calculation Agent are not quoting as described above, the Australian Bank Bill Rate in effect for the new interest period will be the Australian Bank Bill Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Eleventh District Cost of Funds Rate Notes

If you purchase an Eleventh District Cost of Funds Rate Note, your Note will bear interest at a Base Rate equal to the Eleventh District Cost of Funds Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Eleventh District Cost of Funds Rate will be the rate equal to the monthly weighted average cost of funds for the calendar month immediately before the month in which the relevant Eleventh District Cost of Funds Rate Interest Determination Date falls, as that rate appears on Reuters Page COFI/ARMS under the heading "11th Dist COFI:" as of 11:00 A.M., San Francisco time, on that date. If the Eleventh District Cost of Funds Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear on Reuters Page COFI/ARMS on the relevant Interest Determination Date, then the Eleventh District Cost of Funds Rate for that date will be the monthly weighted average cost of funds paid by institutions that are members of the Eleventh Federal Home Loan Bank District for the calendar month immediately before the month in which the relevant Interest Determination Date falls, as most recently announced by the FHLB of San Francisco as that cost of funds. 13.4.8(ix)(B) 13.4.8(x)(B)
- If the FHLB of San Francisco fails to announce the cost of funds described in the prior paragraph on or before the relevant Interest Determination Date, the Eleventh District Cost of Funds Rate in effect for the new interest period will be the Eleventh District Cost of Funds Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Special Rate Calculation Terms

In this subsection entitled "-Interest rates", we use several terms that have special meanings relevant to calculating floating interest rates. We describe these terms as follows:

The term "bond equivalent yield" means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where

- "D" means the annual rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal;
- "N" means 365 or 366, as the case may be; and
- "M" means the actual number of days in the applicable interest reset period.

The term "***business day***" means, for any Note, unless otherwise specified in the applicable Final Terms, a day that meets all of the following applicable requirements:

- for all Notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York, the City of Wellington, New Zealand, the City of Auckland, New Zealand or the City of London generally are authorized or obligated by law, regulation or executive order to close;
- if the Note is a LIBOR Note, is also a London business day;
- if the Note has a Specified Currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the Specified Currency;
- if the Note is a EURIBOR Note or has a Specified Currency of euros, or is a LIBOR Note for which the Index Currency is euros, is also a euro business day; and
- solely with respect to any payment or other action to be made or taken at any place of payment designated by us outside The City of New York, is a Monday, Tuesday, Wednesday, Thursday or Friday

that is not a day on which banking institutions in such place of payment generally are authorized or obligated by law, regulation or executive order to close.

The term ***"Designated CMT Index Maturity"*** means the Index Maturity for a CMT Rate Note and will be the original period to maturity of a U.S. Treasury security specified in the applicable Final Terms. If no such original maturity period is so specified, the designated CMT Index Maturity will be 2 years.

The term ***"Designated CMT Reuters Page"*** means the Reuters Page specified in the applicable Final Terms that displays treasury constant maturities as reported in H.15(519). If no Reuters Page is so specified, then the applicable page will be Reuters Page FEDCMT. If Reuters Page FEDCMT applies but the applicable Final Terms does not specify whether the weekly or monthly average applies, the weekly average will apply.

The term ***"Designated LIBOR Page"*** means the display on the Reuters 3000 Xtra Service, or any successor service, on the "LIBOR01" page or "LIBOR02" page, as specified in the applicable Final Terms, or any replacement page or pages on which London interbank rates of major banks for the relevant index currency are displayed.

The term ***"euro business day"*** means any day on which the Trans- European Automated Real-Time Gross Settlement Express Transfer which utilizes a single shared platform and which was launched on November 19, 2007 (TARGET2) System, or any successor system, is open for business.

The term ***"euro-zone"*** means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.

"FHLB of San Francisco" means the Federal Home Loan Bank of San Francisco.

"H.15(519)" means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication as published weekly by the Board of Governors of the Federal Reserve System.

"H.15 daily update" means the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at *http://www.federalreserve.gov/releases/h15/update*, or any successor site or publication.

The term ***"index currency"*** means, with respect to a LIBOR Note, the currency specified as such in the applicable Final Terms. The index currency may be U.S. dollars or any other currency, and will be U.S. dollars unless another currency is specified in the applicable Final Terms.

The term ***"Index Maturity"*** means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Final Terms.

"London business day" means any day on which dealings in the relevant index currency are transacted in the London interbank market.

The term ***"Money Market Yield"*** means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where

- "D" means the annual rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and
- "M" means the actual number of days in the relevant interest reset period.

The term ***"principal financial center"*** means (i) the capital city of the country issuing the Specified Currency in the applicable Note (which in the case of those countries whose currencies were replaced by the euro, will be Brussels, Belgium) or (ii) the capital city of the country to which the relevant index currency, if applicable, relates, except, in each case, with respect to United States dollars, euros, Australian dollars, Canadian dollars, New Zealand dollars, South African rand and Swiss francs, the principal financial center will be The City of New York, London (solely in the case of the relevant LIBOR index currency), Sydney, Toronto, Auckland, Johannesburg and Zurich, respectively.

The term ***"representative amount"*** means an amount that, in the Calculation Agent's judgment, is representative of a single transaction in the relevant market at the relevant time.

"Reuters Page" means the display on the Reuters 3000 Xtra Service, or any successor service, on the page or pages specified in this offering memorandum or the applicable Final Terms, or any replacement page or pages on that service.

"Reuters Page BBSW" means the display on the Reuters Page designated as "BBSW" or any replacement page or pages on which quotations for Australian bank accepted bills of exchange are displayed.

"Reuters Page BKBM" means the display on the Reuters Page designated as "BKBM" or any replacement page or pages on which quotations for New Zealand bank accepted bills of exchange (as defined in the Bills Exchange Act 1908, New Zealand) are displayed.

"Reuters Page COFI/ARMS" means the display on the Reuters Page designated as "COFI/ARMS" or any replacement page or pages on that service for the purpose of displaying such a rate.

"Reuters Page EURIBOR01" means the display on the Reuters Page designated as "EURIBOR01" or any replacement page or pages on which ***euro-zone*** interbank rates of major banks for euro are displayed.

"Reuters Page FEDFUNDS1" means the display on the Reuters Page designated as "FEDFUNDS1" or any replacement page or pages.

"Reuters Page FEDCMT" means the display on the Reuters Page designated as "FEDCMT" or any replacement page or pages.

"Reuters Page FRBCMT" means the display on the Reuters Page designated "FRBCMT" or any replacement page or pages.

"Reuters Page US AUCTION10" means the display on the Reuters Page designated as "US AUCTION10" or any replacement page or pages.

"Reuters Page US AUCTION11" means the display on the Reuters Page designated as "US AUCTION11" or any replacement page or pages.

"Reuters Page US PRIME1" means the display on the Reuters Page designated as "US PRIME1" or any replacement page or pages on which prime rates or base lending rates of major U.S. banks are displayed.

If, when we use the terms Designated CMT Reuters Page, Designated LIBOR Reuters Page, H.15(519), H.15 daily update, Reuters Page FEDFUNDS1, Reuters Page US AUCTION10, Reuters Page US AUCTION11, Reuters Page COFI/ARMS Reuters Page BKBM or Reuters Page BBSW, we refer to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the Calculation Agent.

Payment of additional amounts

We will make all payments in respect of the Notes to all Holders of such Notes without withholding or deduction for, or on account of, any taxes, assessments or other governmental charges ("**relevant tax**") imposed or levied by or on behalf of New Zealand or, in the case of the ANZNIL Notes, the United Kingdom or any political subdivision or authority in or of either of the foregoing jurisdictions or any other jurisdiction where the payor is domiciled or has a principal place of business (each a "**relevant jurisdiction**") unless the withholding or deduction is required by law. In that event, we will pay such additional amounts as may be necessary so that the net amount received by the Holder of the Notes, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Notes without such withholding or deduction. However, we will pay no additional amounts:

- to the extent that the relevant tax is New Zealand tax and is imposed on a Holder who is not a New Zealand Alien (as defined herein);
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having some connection (whether present, past or future) with a relevant jurisdiction, other than mere receipt of such payment or being a Holder, or the beneficial owner, of the Notes;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes not complying with any statutory requirements or not presenting any form or certificate or not having made a declaration of non-residence in, or lack of connection with, a relevant jurisdiction or any similar claim for exemption, if the relevant Issuer or its agent has provided the Holder, or the beneficial owner, of the Notes with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial

owner, of the Notes having presented for payment more than 30 days after the date on which the payment in respect of the Notes first became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- to the extent that the relevant tax is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented the Notes, where the Holder, or beneficial owner, of the Notes would be able to avoid such withholding or deduction by presenting the Notes to another Paying Agent in a Member State of the European Union;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented the Notes for payment in a relevant jurisdiction, unless the Notes could not have been presented for payment elsewhere; or
- to the extent any combination of the above applies.

In addition, we will pay no additional amounts to any Holder who is a New Zealand Alien and who is a fiduciary or partnership or person other than the sole beneficial owner of the payment in respect of the Notes to the extent such payment would, under the laws of a relevant jurisdiction, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to additional amounts had it been the Holder of the Notes.

The term "**New Zealand Alien**" means a registered Holder who is not resident in New Zealand for the purposes of the Income Tax Act 2007 and who does not engage in business in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, i.e., FATCA, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

Whenever we refer in this Offering Memorandum or any Final Terms, in any context, to the payment of the principal of, or any premium or interest on, any Note or the net proceeds received on the sale or exchange of any Note, we mean to include the payment of additional amounts to the extent that, in that context, additional amounts are, were or would be payable.

Redemption and repayment

13.4.9(i)(B)

Your Note will not be entitled to the benefit of any sinking fund, that is, we will not deposit money on a regular basis into any separate custodial account to repay your Note. In addition, we will not be entitled to redeem your Note before its stated maturity unless your Final Terms specifies a redemption commencement date. You will not be entitled to require us to buy your Note from you, before its stated maturity, unless your Final Terms specifies one or more repayment dates.

If your Final Terms specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your Note. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of Notes during those periods will apply.

If your Final Terms specify a redemption commencement date, your Note will be redeemable at our option at any time on or after that date or at a specified time or times. If we redeem your Note, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your Note is redeemed.

If your Final Terms specifies a repayment date, your Note will be repayable at the Holder's option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any Note, we will give to the Holder written notice of the principal amount of the Note to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. If we choose to redeem a Tranche in part, the Fiscal Agent will select the Notes that will be redeemed by such usual method as it deems fair and appropriate. We will give the notice in the manner described below in "-Notices".

If a Note represented by a Global Note is subject to repayment at the Holder's option, the Depositary or its nominee, as the Holder, will be the only person that can exercise the right to repayment. Any indirect owners who own beneficial interests in the Global Note and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the Depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the Depositary before the applicable deadline for exercise.

Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner. We or our affiliates may purchase Notes from investors who are willing to sell from time to time in private transactions at negotiated prices. Notes that we or they purchase may, at our discretion, be held, resold or cancelled.

Redemption for taxation reasons

13.4.9(i)(B)

We will have the right to redeem a Tranche in whole, but not in part, at any time following the occurrence of a Tax Event (as defined herein); provided, however, that, if at the time there is available to us the opportunity to eliminate the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in our sole judgment has or will cause no adverse effect on us or any of our subsidiaries or affiliates and will involve no material cost, we will pursue that measure in lieu of redemption. We may not deliver a notice of redemption earlier than 90 days before the earliest date on which ANZ New Zealand or ANZNIL would be obligated to pay any additional amounts (if a payment in respect of a Note was due on this date), and we may only deliver a notice of redemption if our obligation to pay additional amounts remains in effect. "**Tax Event**" means that there has been:

- an amendment to, change in or announced proposed change in the laws or regulations under the laws of a relevant jurisdiction;
- a judicial decision interpreting, applying or clarifying those laws or regulations; or
- an administrative pronouncement or action that represents an official position, including a clarification of an official position, of the governmental authority or regulatory body making the administrative pronouncement or taking any action,

which amendment or change is adopted or which proposed change, decision, pronouncement or action is announced or which action or clarification occurs on or after the issue date of the relevant Notes or, in the event the relevant Issuer or Guarantor of the Notes has merged, consolidated or sold substantially all of its assets after such date, the most recent effective date of such merger, consolidation or asset sale, following which any payment on a Tranche (or, in the case of the ANZNIL Notes, any payment on the Guarantee) is, or will be, subject to withholding or deduction in respect of any taxes, assessments or other governmental charges that did not apply prior to such amendment, change, proposed change, decision, pronouncement or action.

If we redeem Notes in these circumstances, the redemption price of each Note redeemed will be equal to 100% of the principal amount of such Note plus accrued and unpaid interest on such debt security to the date of redemption.

Mergers and similar transactions

We and ANZNIL are generally permitted to merge or consolidate with another corporation or other entity. We and ANZNIL are also permitted to sell our assets substantially as an entirety to another corporation or other entity. However, we or ANZNIL, as applicable, may not take any of these actions unless all the following conditions are met:

- If the successor entity in the transaction is not ANZ New Zealand or ANZNIL, as applicable, the successor entity must be organized as a corporation, partnership or trust and, unless the assumption occurs by operation of law, must expressly assume our obligations under the Notes and the Fiscal Agency Agreement with respect to the Notes. The successor entity may be organized under the laws of New Zealand, the United Kingdom, the United States or any State thereof, the District of Columbia or any other member country of the Organization for Economic Cooperation and Development;
- Immediately after the transaction, no default under the Notes has occurred and is continuing. For this purpose, "default under the Notes" means an Event of Default with respect to the Notes or any event that would be an Event of Default with respect to the Notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under "-Default, remedies and waiver of default"; and
- In the case of the successor entity, if such entity is not organized and validly existing under the laws of New Zealand or the United Kingdom, such successor entity shall expressly agree:
    - to indemnify each holder of the Notes against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such holder as a consequence of

such consolidation, merger, conveyance, transfer or lease; and

- that all payments pursuant to the Notes shall be made without withholding or deduction for, on account of, any tax of whatever nature imposed or levied on behalf of the jurisdiction of organization of such successor entity, or any political subdivision or taxing authority thereof or therein, unless such tax is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such successor entity will pay such additional amounts in order that the net amounts received by the holders after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by ANZ New Zealand or ANZNIL of additional amounts in respect of the Notes (substituting the jurisdiction of organization of such successor entity for New Zealand or the United Kingdom). For the avoidance of doubt, any amounts to be paid on the Notes by such successor entity will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, i.e., the Foreign Account Tax Compliance Act, or FATCA, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

If the conditions described above are satisfied with respect to the Notes, and we deliver an officer's certificate and an opinion of counsel to that effect, we will not need to obtain the approval of the holders of the Notes in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of ANZ New Zealand or ANZNIL, as applicable, but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets.

Also, if we or ANZNIL merge, consolidate or sell our assets substantially as an entirety and the successor is a non-New Zealand entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences relating to the Notes.

Covenant defeasance

We will specify in the relevant Final Terms whether or not the provisions for covenant defeasance described below apply to your Note.

Under current U.S. federal tax law, we can make a deposit and no longer be subject to any covenant or agreement that would otherwise grant you a right to accelerate the maturity of the Notes. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any Notes, the following conditions must be satisfied:

- We must deposit in trust for the benefit of all direct Holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash, in the written opinion of a nationally recognized firm of independent public accountants to make interest, principal and any other payments on the Notes on their various due dates.
- We must deliver to the defeasance trustee, who may be the Fiscal Agent, a legal opinion of counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing the Holders of Notes to be taxed on the Notes any differently than if we did not make the deposit and just repaid the Notes ourselves.

No Event of Default or event which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date the deposit in trust described above is made.

The covenant defeasance must not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which we are a party or by which we are bound.

The covenant defeasance must not result in the trust described above constituting an investment company as defined in the Investment Company Act of 1940, as amended, or the trust must be qualified under that Act or exempt from regulation thereunder.

We must deliver to the defeasance trustee a certificate to the effect that the Notes, if then listed on the London Stock Exchange, will not be delisted as a result of the deposit in trust described above.

We must deliver to the Fiscal Agent and the defeasance trustee a certificate and an opinion of counsel, each stating that all the conditions described above have been satisfied.

If we accomplish covenant defeasance on your Note, you can still look to us for repayment of your Note in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your Note became immediately due and payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Default, remedies and waiver of default

You will have special rights if an Event of Default with respect to your Note occurs and is continuing, as described in this subsection.

Events of Default

When we refer to an Event of Default with respect to the Notes, we mean any of the following:

- We do not pay the principal or any premium on any Note on the due date;
- We do not pay interest on any Note within 30 days after the due date;
- We remain in breach of any covenant we make for the benefit of the relevant Notes, for 60 days after we receive written notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the Fiscal Agent or the holders of at least 10% in principal amount of the Notes; or
- In the case of ANZ NZ Notes, ANZ New Zealand or, in the case of ANZNIL Notes, either ANZNIL or ANZ New Zealand file for bankruptcy or other events of bankruptcy, insolvency or reorganization relating to either ANZ New Zealand or ANZNIL, as applicable, occur.

Remedies if an Event of Default occurs

If an Event of Default has occurred with respect to any Note and has not been cured or waived, the Holder of the Note may, at its option, by written notice to the relevant Issuer and the Fiscal Agent, and, in the case of ANZNIL Notes, to ANZ New Zealand, declare the principal of that Note to be due and payable immediately.

Waiver of default

The holders of not less than 50% in principal amount of the Notes may waive a default for all Notes. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your Note, however, without the approval of the particular Holder of that Note.

Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the Fiscal Agent and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance”.

Modification of the Fiscal Agency Agreement and waiver of covenants

There are three types of changes we can make to the Fiscal Agency Agreement and the Notes, and these changes may have U.S. federal tax consequences for Holders.

Changes requiring each Holder’s approval

First, there are changes that cannot be made without the written consent or the affirmative vote or approval of each Holder affected by the change. Here is a list of those types of changes:

- change the due date for the payment of principal of, or premium, if any, or any installment of interest on any Note;
- reduce the principal amount of any Note, the portion of any principal amount that is payable upon acceleration of the maturity of the Note, the interest rate or any premium payable upon redemption;
- change the currency of any payment on a Note;
- change our obligation to pay additional amounts;
- shorten the period during which redemption of the Notes is not permitted or permit redemption during a period not previously permitted;
- change the place of payment on a Note;
- reduce the percentage of principal amount of the Notes outstanding necessary to modify, amend or supplement the Fiscal Agency Agreement or the Notes or to waive past defaults or future compliance;

- reduce the percentage of principal amount of the Notes outstanding required to adopt a resolution or the required quorum at any meeting of Holders of Notes at which a resolution is adopted; or
- change any provision in a Note with respect to redemption at the Holders' option in any manner adverse to the interests of any Holder of the Notes.

Changes not requiring approval

The second type of change does not require any approval by Holders. These changes are limited to curing any ambiguity or curing, correcting or supplementing any defective provision, or modifying the Fiscal Agency Agreement, the Guarantee or the Notes in any manner determined by us and the Fiscal Agent to be consistent with the Notes and the Guarantee and not adverse to the interest of any Holder.

Changes requiring majority approval

Any other change to the Fiscal Agency Agreement and the Notes would require the following approval:

- The written consent of the Holders of at least 50% of the aggregate principal amount of the Notes at the time outstanding; or
- The adoption of a resolution at a meeting at which a quorum of Holders is present by 50% of the aggregate principal amount of the Notes then outstanding represented at the meeting.

The same 50% approval would be required for us to obtain a waiver of any of our covenants in the Fiscal Agency Agreement. Our covenants include the promises we make about merging, which we describe above under "-Mergers and similar transactions". If the Holders approve a waiver of a covenant, we will not have to comply with it.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of the aggregate principal amount of the Notes outstanding. For purposes of determining whether Holders of the aggregate principal amount of Notes required for any action or vote, or for any quorum, have taken the action or vote, or constitute a quorum, the principal amount of any particular Note may differ from its principal amount at stated maturity but will not exceed its stated face amount upon original issuance.

We will be entitled to set any day as a record date for determining which Holders of book-entry Notes are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal Agency Agreement. In addition, record dates for any book-entry Note may be set in accordance with procedures established by the Depositary from time to time. Therefore, record dates for book-entry Notes may differ from those for other Notes. Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Fiscal Agency Agreement or any Notes or request a waiver.

Special rules for action by Holders

When Holders take any action under the Fiscal Agency Agreement, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the Fiscal Agent an instruction, we will apply the following rules.

Only outstanding Notes are eligible

Only Holders of outstanding Notes will be eligible to participate in any action by Holders. Also, we will count only outstanding Notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a Note will not be "outstanding":

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its Holder, money for its payment or redemption;
- if we have fully defeased it as described above under "-Covenant defeasance"; or
- if we or one of our affiliates, such as ANZBGL, is the owner.

Eligible principal amount of some Notes

In some situations, we may follow special rules in calculating the principal amount of a Note that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency increases over time or is not to be fixed until the maturity date.

For any Note of the kind described below, we will decide how much principal amount to attribute to the Note as follows:

- For an Original Issue Discount Note, we will use the principal amount that would be due and payable on the action date if the maturity of the Note were accelerated to that date because of a default;
- For a Note whose principal amount is not known, we will use any amount that we indicate in the relevant Final Terms for that Note; or
- For Notes with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

Form, exchange and transfer of Notes 13.4.4(i)(A)

If any Notes cease to be issued in registered global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your Final Terms, in denominations of US$200,000, or greater (or the equivalent thereof in another currency or composite currency).

Holders may exchange their Notes for Notes of smaller denominations or combine them into fewer Notes of larger denominations, as long as the total principal amount is not changed. You may not exchange your Notes for Notes of a different series or having different terms.

Holders may exchange or transfer their Notes at the office of the Fiscal Agent. They may also replace lost, stolen, destroyed or mutilated Notes at that office. We have appointed the Fiscal Agent to act as our agent for registering Notes in the names of Holders and transferring and replacing Notes. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their Notes, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the Holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any Notes.

If we have designated additional transfer agents for your Note, they will be named in your Final Terms. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any Notes are redeemable and we redeem less than all those Notes, we may block the transfer or exchange of those Notes during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of Holders to prepare the mailing. We may also refuse to register transfers of or exchange any Note selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Note being partially redeemed.

If a Note is issued as a Global Note, only the Depositary-e.g., DTC, Euroclear and Clearstream, Luxembourg-will be entitled to transfer and exchange the Note as described in this subsection, because the Depositary will be the sole Holder of the Note.

Payment mechanics for Notes

Who receives payment?

If interest is due on a Note on an interest payment date, we will pay the interest to the person in whose name the Note is registered at the close of business on the Regular Record Date relating to the interest payment date as described below under "-Payment and record dates for interest". If interest is due at maturity, we will pay the interest to the person entitled to receive the principal of the Note. If principal or another amount besides interest is due on a Note at maturity, we will pay the amount to the Holder of the Note against surrender of the Note at a proper place of payment or, in the case of a Global Note, in accordance with the applicable policies of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg.

Payment and record dates for interest

Interest on any Fixed Rate Note will be payable with the frequency specified by your Final Terms on the date or dates set forth in your Final Terms and at maturity. The Regular Record Date relating to an interest payment date for any Fixed Rate Note will also be set forth in your Final Terms. The Regular Record Date relating to an interest payment date for any Floating Rate Note will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a "business day", as defined above. For the purpose of determining the Holder at the close of business on a Regular Record Date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

How we will make payments due in U.S. dollars

We will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Notes. We will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. 13.4.4(ii)(C)
Under those policies, we will pay directly to the Depositary, or its nominee, and not to any indirect owners who own beneficial interests in the Global Note. An indirect owner's right to receive those payments will be governed by the rules and practices of the Depositary and its participants, as described below in the section entitled "Legal Ownership and Book-Entry Issuance-What is a Global Note?"

Payments on non-Global Notes. We will make payments on a Note in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the Holder at his or her address shown on the Fiscal Agent's records as of the close of business on the Regular Record Date. We will make all other payments by check at the Paying Agent described below, against surrender of the Note. All payments by check will be made in next-day funds-*i.e.*, funds that become available on the day after the check is cashed.

Alternatively, if a non-Global Note has a face amount of at least US$5,000,000 and the Holder asks us to do so, we will pay any amount that becomes due on the Note by wire transfer of immediately available funds to an account at a bank in the City of New York on the due date. To request wire payment, the Holder must give the Paying Agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the Holder on the relevant Regular Record Date. In the case of any other payment, payment will be made only after the Note is surrendered to the Paying Agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Notes.

How we will make payments due in other currencies

We will follow the practice described in this subsection when paying amounts that are due in a Specified Currency other than U.S. dollars.

Payments on Global Notes. We will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. DTC will be the Depositary for all Notes in global form. We understand that DTC's policies, as currently in effect, are as follows.

If you are an indirect owner of Global Notes denominated in a Specified Currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and do so elect, you must notify the participant through which your interest in the Global Note is held of your election:

- on or before the applicable Regular Record Date, in the case of a payment of interest; or
- on or before the 16th day before the stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that Regular Record Date, in the case of a payment of interest, and on or before the 12th DTC business day before the stated maturity, or on the redemption or repayment date if your Note is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the Paying Agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the Paying Agent, on or before the dates noted above, the Paying Agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the Specified Currency or in another jurisdiction acceptable to us and the Paying Agent.

If the foregoing steps are not properly completed, we expect DTC to inform the Paying Agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under "-Conversion to U.S. dollars". We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect owners of a Global Note denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the Specified Currency.

Payments on non-Global Notes. Except as described in the last paragraph under this heading, we will make payments on Notes in non-global form in the applicable Specified Currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable Specified Currency at a bank designated by the Holder and is acceptable to us and the Fiscal Agent. To designate an account for wire payment, the Holder must give the Paying Agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the Holder on the Regular Record Date. In the case of any other payment, the payment will be made only after the Note is surrendered to the Paying Agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a Holder fails to give instructions as described above, we will notify the Holder at the address in the Fiscal Agent's records and will make the payment within five business days after the Holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the Fiscal Agency Agreement as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a Note in non-global form may be due in a Specified Currency other than U.S. dollars, we will make the payment in U.S. dollars if the Holder asks us to do so. To request U.S. dollar payment, the Holder must provide appropriate written notice to the Fiscal Agent at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the Holder on the Regular Record Date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Book-entry and other indirect owners of a Note with a Specified Currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the Specified Currency or in U.S. dollars.

Conversion to U.S. dollars. When we are asked by a Holder to make payments in U.S. dollars of an amount due in another currency, either on a Global Note or a non-Global Note as described above, the exchange rate agent described below will calculate the U.S. dollar amount the Holder receives in the exchange rate agent's discretion. A Holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency is not available. If we are obligated to make any payment in a Specified Currency other than U.S. dollars, and the Specified Currency or any successor currency is not available to us due to circumstances beyond our control-such as the imposition of exchange controls or a disruption in the currency markets-we will be entitled to satisfy our obligation to make the payment in that Specified Currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the exchange rate agent described below, in its discretion.

The foregoing will apply to any Note, whether in global or non-global form, and to any payment, including a payment at the maturity date. Any payment made under the circumstances and in a manner described above will not result in a default under any Note or the Fiscal Agency Agreement.

Exchange rate agent. If we issue a Note in a Specified Currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the Note is originally issued in the relevant Final Terms. We may select ANZBGL or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the issue date of the Note without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be in its sole discretion unless we state in this Offering Memorandum that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Payment when offices are closed

If any payment is due on a Note on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the Fiscal Agency Agreement as if they were made on the original due date. Postponement of this kind will not result in a default under any Note or the Fiscal Agency Agreement. However, if any interest payment date, other than the one that falls on the maturity date for a EURIBOR Note or a LIBOR Note would otherwise fall on a day that is not a business day and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. The term business day has a special meaning, which we describe above under "-Interest rates-Floating Rate Notes-Special rate calculation terms".

Paying Agents

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices Notes in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a "Paying Agent". We may add, replace or terminate Paying Agents from time to time; provided that at all times there will be a Paying Agent in the Borough of Manhattan, The City of New York. We may also choose to act as our own Paying Agent. Initially, we have appointed the Fiscal Agent, at its corporate trust office in New York City, as the Paying Agent. In addition, for so long as any Notes are listed on the Official List and admitted to trading on the London Stock Exchange's Regulated Market, we will maintain a Paying Agent with offices in the City of London, which we refer to as the "London Paying Agent". We have initially appointed the Fiscal Agent, at its corporate trust office in the City of London, as the London Paying Agent. We must notify the Fiscal Agent of changes in the Paying Agents.

Unclaimed payments

Regardless of who acts as Paying Agent, all money paid by us to a Paying Agent that remains unclaimed at the end of two years after the amount is due to a Holder will be repaid to us. After that two-year period, the Holder may look only to us for payment and not to the Fiscal Agent, any other Paying Agent or anyone else.

Notices

Notices to be given to Holders of a Global Note will be given only to the Depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to Holders of Notes not in global form will be sent by mail to the respective addresses of the Holders as they appear in the Fiscal Agent's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

Our relationship with the Fiscal Agent

The Bank of New York Mellon is initially serving as the Fiscal Agent for the Notes issued under the Fiscal Agency Agreement. The Bank of New York Mellon has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, The Bank of New York Mellon serves as trustee or agent with regard to other debt obligations of ANZBGL.

Prescription

13.4.8(v)(B)

There are no time limits affecting the validity of claims to interest and repayment of principal under the Notes.

Governing law

The Notes, the Guarantee and the Fiscal Agency Agreement are governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except that all matters governing authorization and execution of the Notes, the Guarantee and the Fiscal Agency Agreement by ANZ New Zealand or ANZNIL are governed by the laws of New Zealand. We have appointed Australia and New Zealand Banking Group Limited with its offices at 1177 Avenue of the Americas, New York, New York, 10036, United States, as our agent for service of process in The City of New York in connection with any action arising out of the sale of the Notes, the Guarantee or enforcement of the terms of the Fiscal Agency Agreement. 13.4.3(A)

Legal Ownership and Book-Entry Issuance

13.4.4(i)(A)

In this section, we describe special considerations that will apply to Notes issued in global-i.e., book-entry-form. First, we describe the difference between legal ownership and indirect ownership of Notes. Then we describe special provisions that apply to Global Notes.

Who is the legal owner of a registered Note?

Each Note in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of Notes. We refer to those who have Notes registered in their own names, on the books that we or the Fiscal Agent or other agent maintain for this purpose, as the "Holders" of those Notes. These persons are the legal Holders of the Notes. We refer to those who, indirectly through others, own beneficial interests in Notes that are not registered in their own names as indirect owners of those Notes. As we discuss below, indirect owners are not legal Holders, and investors in Notes issued in book-entry form or in street name will be indirect owners.

Book-entry owners

We will issue each Note in book-entry form only. This means Notes will be represented by one or more Global Notes registered in the name of a financial institution that holds them as Depositary on behalf of other financial institutions that participate in the Depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the Notes on behalf of themselves or their customers.

Under the Fiscal Agency Agreement, only the person in whose name a Note is registered is recognized as the Holder. Consequently, for Notes issued in global form, we will recognize only the Depositary as the Holder and we will make all payments on the Notes, including deliveries of any property other than cash, to the Depositary. The Depositary passes along the payments it receives to its participants, which, in turn, pass the payments along to their customers who are the beneficial owners. The Depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the Notes.

As a result, investors will not own Notes directly. Instead, they will own beneficial interests in a Global Note, through a bank, broker or other financial institution that participates in the Depositary's book-entry system or holds an interest through a participant. As long as the Notes are issued in global form, investors will be indirect owners, and not Holders, of the Notes.

Street name owners

In the future, we may terminate a Global Note or issue Notes initially in non-global form. In these cases, investors may choose to hold their Notes in their own names or in street name. Notes held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those Notes through an account he or she maintains at that institution.

For Notes held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the Notes are registered as the Holders, and we will make all payments on those Notes, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so, not because they are obligated to do so under the terms of the Notes. Investors who hold Notes in street name will be indirect owners, not Holders, of those Notes.

Legal Holders

Our obligations, as well as the obligations of the Fiscal Agent under the Fiscal Agency Agreement and the obligations, if any, of any third parties employed by us or any other agent, run only to the Holders of the Notes. We do not have obligations to investors who hold beneficial interests in Global Notes, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a Note or has no choice because we are issuing the Notes only in global form.

For example, once we make a payment or give a notice to the Holder, we have no further responsibility for that payment or notice even if that Holder is required, under agreements with Depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the Holders for any purpose-*e.g.*, to amend the Fiscal Agency Agreement or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the Fiscal Agency Agreement-we would seek the approval only from the Holders, and not the indirect owners, of the relevant Notes. Whether and how the Holders contact the indirect owners is up to the Holders.

When we refer to "you" in this Offering Memorandum, we mean those who invest in the Notes being offered by this Offering Memorandum, whether they are the Holders or only indirect owners of those Notes. When we refer to "your Notes" in this Offering Memorandum, we mean the Notes in which you will hold a direct or indirect interest.

Special considerations for indirect owners

If you hold Notes through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell Notes or to exchange or convert a Note for or into other property;
- how it would handle a request for the Holders' consent, if ever required;
- whether and how you can instruct it to send you Notes registered in your own name so you can be a Holder, if that is permitted in the future;
- how it would exercise rights under the Notes if there were a default or other event triggering the need for Holders to act to protect their interests; and
- if the Notes are in book-entry form, how the Depositary's rules and procedures will affect these matters.

What is a Global Note?

We will issue each Note in book-entry form only. Each Note issued in book-entry form will be represented by a Global Note that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any Note for this purpose is called the "Depositary" for that Note. A Note will usually have only one Depositary but it may have more.

A Global Note may represent one or any other number of individual Notes. Generally, all Notes represented by the same Global Note will have the same terms. A Global Note may not be transferred to or registered in the name of anyone other than the Depositary or its nominee or a successor to the Depository or its nominee, unless special termination situations arise. We describe those situations below under "— Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated". As a result of these arrangements, the Depositary, or its nominee, will be the sole registered owner and Holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that, in turn, has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a Holder, but only an indirect owner of an interest in the Global Note.

If the relevant Final Terms indicate that the Note will be issued in global form only, then the Note will be represented by a Global Note at all times unless and until the Global Note is terminated. We describe the situations in which this can occur below under "-Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated". If termination occurs, we may issue the Notes through another book-entry clearing system or decide that the Notes may no longer be held through any book-entry clearing system.

Special considerations for Global Notes

As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor's financial institution or other intermediary through which it holds its interest (*e.g.,* Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a Holder and instead deal only with the Depositary that holds the Global Note.

If Notes are issued only in the form of a Global Note, an investor should be aware of the following:

- An investor cannot cause the Notes to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the Notes, except in the special situations we describe below;
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes, as we describe above under "-Who is the legal owner of a registered Note?";
- An investor may not be able to sell interests in the Notes to some insurance companies and other

institutions that are required by law to own their securities in non-book-entry form;

- An investor may not be able to pledge his or her interest in a Global Note in circumstances where certificates representing the Notes must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- The Depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a Global Note, and those policies may change from time to time. We and the Fiscal Agent will have no responsibility for any aspect of the Depositary's policies, actions or records of ownership interests in a Global Note. We and the Fiscal Agent also do not supervise the Depositary in any way;
- The Depositary will require that those who purchase and sell interests in a Global Note within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and
- Financial institutions that participate in the Depositary's book-entry system and through which an investor holds its interest in the Global Notes, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes, and those policies may change from time to time. For example, if you hold an interest in a Global Note through Euroclear or Clearstream, Luxembourg when DTC is the Depositary, Euroclear or Clearstream, Luxembourg, as applicable, will require those who purchase and sell interests in that Global Note through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Delivery and form 13.4.4(ii)(C)

Notes issued pursuant to Rule 144A initially will be represented by one or more Global Notes (collectively, the "**Rule 144A Global Notes**"). Notes issued in reliance on Regulation S initially will be represented by one or more Global Notes (collectively, the "**Regulation S Global Notes**"). Upon issuance, the Global Notes will be deposited with the Fiscal Agent as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "— Exchanges among the Global Notes".

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in the definitive form except in the limited circumstances described below. See "— Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated".

Exchanges among the Global Notes

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 904 of Regulation S.

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 144A.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Purchasers". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time.

Holder's option to obtain a non-Global Note; special situations when a Global Note will be terminated

If we issue any of those Notes in book-entry form but we choose to give the beneficial owners of those Notes the right to obtain non-Global Notes, any beneficial owner entitled to obtain non-Global Notes may do so by following the applicable procedures of the Depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the Notes. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a Global Note will be terminated and interests in it will be exchanged for certificates in non-global form representing the Notes it represented. After that exchange, the choice of whether to hold the Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a Global Note transferred on termination to their own names, so that they will be Holders. We have described the rights of Holders and street name investors above under "-Who is the legal owner of a registered Note?"

The special situations for termination of a Global Note are as follows:

- if the Depositary notifies us that it is unwilling, unable or no longer qualified to continue as Depositary for that Global Note;
- if we notify the Fiscal Agent that we wish to terminate that Global Note; or
- if an Event of Default has occurred with regard to these Notes and is continuing.

If a Global Note is terminated, only the Depositary, and not we or the Fiscal Agent, is responsible for deciding the names of the institutions in whose names the Notes represented by the Global Note will be registered and, therefore, who will be the Holders of those Notes.

Considerations relating to DTC, Euroclear and Clearstream, Luxembourg

DTC. DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("**DTC participants**") deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants' accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("**Indirect DTC participants**"). The rules applicable to DTC's participants are on file with the Commission. More information about DTC can be found at its Internet Web site at www.dtcc.com, a website the contents of which are not incorporated by reference into this Offering Memorandum.

Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of principal and interest on the Notes will be made in immediately available funds in accordance with their respective holdings shown on DTC's records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and it will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC, the Fiscal Agent or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of ANZ New Zealand or the Fiscal Agent. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

Ownership of interests in the Notes held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Notes held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Notes as DTC Participants.

Clearstream, Luxembourg. Clearstream, Luxembourg holds securities for its participating organizations ("**Clearstream, Luxembourg participants**") and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear as the operator of the Euroclear system (the "**Euroclear Operator**") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depositary for Clearstream, Luxembourg.

Euroclear. Euroclear holds securities and book-entry interests in securities for participating organizations ("**Euroclear participants**") and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions governs transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

Special payment and timing considerations for transactions in Euroclear and Clearstream, Luxembourg

Payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on the one hand, and participants in DTC, on the other hand, when DTC is the Depositary, would also be subject to DTC's rules and procedures.

Notes which are accepted for clearance through Euroclear and Clearstream, Luxembourg systems will be allocated a Common Code and an International Securities Identification Number, or ISIN. The Common Code and ISIN will be included in the Final Terms applicable to such Notes.

Investors will be able to make and receive through Euroclear and Clearstream, Luxembourg payments, deliveries, transfers, exchanges, notices and other transactions involving any Notes held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the Notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency

If you intend to invest in a non-U.S. dollar Note-*e.g.,* a Note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency-you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

The information in this Offering Memorandum is directed primarily to investors who are U.S. residents. Investors who are not U.S. residents should consult their own financial and legal advisors about currency-related risks particular to their investment.

An investment in a non-U.S. dollar Note involves currency-related risks

An investment in a non-U.S. dollar Note entails significant risks that are not associated with a similar investment in a Note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. The existence, magnitude and longevity of these risks generally depend on factors over which we have no control and that cannot be readily foreseen, such as economic events and market expectations the operation of and the identity of persons and entities trading on interbank and interdealer foreign exchange markets in the United States and elsewhere, political, legislative, accounting, tax and other regulatory events and the supply of and demand for the relevant currencies in the global markets. Changes in exchange rates may also affect the amount and character of any payment for purposes of U.S. federal income taxation. See “Taxes — United States federal income taxation” below.

Changes in currency exchange rates can be volatile and unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a Note denominated in, or whose value is otherwise linked to, a Specified Currency other than U.S. dollars. Depreciation of the Specified Currency against the U.S. dollar could result in a decrease in the U.S. dollar- equivalent value of payments on the Note, including the principal payable at maturity or settlement value payable upon exercise. That, in turn, could cause the market value of the Note to fall. Depreciation of the Specified Currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

Government policy can adversely affect currency exchange rates and an investment in a non-U.S. dollar Note

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country’s central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar Notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the Specified Currency for a non-U.S. dollar Note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the Specified Currency. These changes could affect the value of the Note as participants in the global currency markets move to buy or sell the Specified Currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a Specified Currency that could affect exchange rates as well as the availability of a Specified Currency for a Note at its maturity or on any other payment date. In addition, the ability of a Holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

Non-U.S. dollar Notes may permit us to make payments in U.S. dollars or delay payment if we are unable to obtain the Specified Currency

Notes payable in a currency other than U.S. dollars may provide that, if the other currency is subject to convertibility or transferability restrictions, market disruption or other conditions affecting its availability at or about the time when a payment on the Notes comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we made payment in U.S. dollars, the exchange rate we would use would be determined in the manner described above under "Description of the Notes and the Guarantee-Payment mechanics for Notes-How we will make payments due in other currencies-When the Specified Currency is not available". A determination of this kind may be based on limited information and would involve certain discretion on the part of our exchange rate agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens, we will be entitled to deduct these taxes from any payment on Notes payable in that currency.

We will not adjust non-U.S. dollar Notes to compensate for changes in currency exchange rates

Except as described above, we will not make any adjustment or change in the terms of a non-U.S. dollar Note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar or any other currency. Consequently, investors in non-U.S. dollar Notes will bear the risk that their investment may be adversely affected by these types of events.

In a lawsuit for payment on a non-U.S. dollar Note, an investor may bear currency exchange risk

Our Notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a currency other than U.S. dollars would be required to render the judgment in the Specified Currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a Note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside New York, investors may not be able to obtain judgment in a Specified Currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar Note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular Note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information about exchange rates may not be indicative of future performance

If we issue a non-U.S. dollar Note, we may include in the relevant Final Terms a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular Note.

All determinations made by the exchange rate agent will be in its sole discretion. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Taxes

The information below summarizes the advice received by the ANZ New Zealand Board of Directors and is applicable to ANZ New Zealand and (except in so far as express reference is made to the treatment of other persons) to persons who are subject to New Zealand taxation, United Kingdom taxation and United States federal taxation and hold Notes as an investment or, for United States federal tax purposes, as capital assets. It is based on current New Zealand, United Kingdom and United States tax law and published practice, which law or practice is subject to subsequent change (potentially with retrospective effect). Certain classes of Holders may be taxed under special rules and are not considered.

United States federal income taxation

United States Internal Revenue Service Circular ("IRS") 230 Notice:

To ensure compliance with IRS Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

This section describes the material United States federal income tax consequences of owning the Notes we are offering. It applies to you only if you acquire Notes in the offering and you hold your Notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of Holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes, or
- A person that purchases or sells Notes as part of a wash sale for tax purposes, or
- a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in the relevant Final Terms. This section is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Notes.

The tax consequences of any particular Note depend on its terms, and any particular offering of Notes may have features or terms that cause the U.S. federal income tax treatment of the Notes to differ materially from the discussion below.

Please consult your own tax advisor concerning the consequences of owning these Notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

<u>United States Holders</u>

This subsection describes the tax consequences to a United States Holder. You are a United States Holder if you are a beneficial owner of a Note and you are:

- a citizen or resident of the United States,

- a domestic corporation (including an entity treated as a domestic corporation for United States federal income tax purposes),
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States Holder, this subsection does not apply to you and you should refer to "– United States alien Holders" below.

Payments of interest

Except as described below in the case of interest on a "discount Note" that is not "qualified stated interest", each as defined below under "– Original issue discount – General", you will be taxed on any interest on your Note, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for United States tax purposes.

Interest paid by us on the Notes and original issue discount, if any, accrued with respect to the Notes (as described below under "–Original issue discount") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts ("**additional amounts**") is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States Holder. Under the foreign tax credit rules, interest and original issue discount and additional amounts paid with respect to the Notes will, depending on your circumstances, be either "passive category" or "general category" income for purposes of computing the foreign tax credit.

Cash basis taxpayers. If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual basis taxpayers. If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the IRS.

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your Note, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Original issue discount

General. If you own a Note, other than a short-term Note with a term of one year or less, it will be treated as a discount Note issued at an original issue discount if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under "–Variable rate notes".

In general, your Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of ¼ of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your Note will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your Note has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the Note, unless you make the election described below under "−Election to treat all interest as original issue discount". You can determine the includible amount with respect to each such payment by multiplying the total amount of your Note's de minimis original issue discount by a fraction equal to:

- the amount of the principal payment made

divided by:

- the stated principal amount of the Note.

Generally, if your discount Note matures more than one year from its date of issue, you must include original issue discount, or "OID", in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your Note. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount Note for each day during the taxable year or portion of the taxable year that you hold your discount Note. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount Note and you may vary the length of each accrual period over the term of your discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount Note's adjusted issue price at the beginning of the accrual period by your Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on your Note allocable to the accrual period.

You must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount Note's adjusted issue price at the beginning of any accrual period by:

- adding your discount Note's issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on your discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount Note contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your Note, other than any payment of qualified stated interest, and
- your Note's adjusted issue price as of the beginning of the final accrual period.

Acquisition premium. If you purchase your Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your Note after the purchase date but is greater than the amount of your Note's adjusted issue price, as determined above under "−General", the excess is acquisition premium. If you do not make the election described below under "−Election to treat all interest as original issue discount", then you must reduce the daily portions of OID by a fraction equal to:

- the excess of your adjusted basis in the Note immediately after purchase over the adjusted issue price of the Note

divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the Note after the purchase date over the Note's adjusted issue price.

Pre-Issuance accrued interest. An election may be made to decrease the issue price of your Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on your Note is to be made within one year of your Note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your Note.

Notes subject to contingencies including optional redemption. Your Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your Note in accordance with the general rules that govern contingent payment obligations.

Notwithstanding the general rules for determining yield and maturity, if your Note is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your Note, and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your Note.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your Note for the purposes of those calculations by using any date on which your Note may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your Note by treating your Note as having been retired and reissued on the date of the change in circumstances for an amount equal to your Note's adjusted issue price on that date.

Election to treat all interest as original issue discount. You may elect to include in gross income all interest that accrues on your Note using the constant-yield method described above under "−General", with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under "−Notes purchased at a premium," or acquisition premium.

If you make this election for your Note, then, when you apply the constant-yield method:

- the issue price of your Note will equal your cost,
- the issue date of your Note will be the date you acquired it, and
- no payments on your Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which you make it; however, if the Note has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount Note, you will be treated as having made the election discussed below under "−Market discount" to include market discount in income currently over the life of all debt instruments having market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the IRS.

Variable rate notes. Your Note will be a variable rate note if:

- your Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:
    1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
    2. 15 percent of the total noncontingent principal payments; and
- your Note provides for stated interest, compounded or paid at least annually, only at:
    1. one or more qualified floating rates,
    2. a single fixed rate and one or more qualified floating rates,
    3. a single objective rate, or
    4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your Note is denominated; or
- the rate is equal to such a rate multiplied by either:
    1. a fixed multiple that is greater than 0.65 but not more than 1.35 or
    2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of your Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

Your Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

Your Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and
- the value of the rate on any date during the term of your Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your Note will also have a single qualified floating rate or an objective rate if interest on your Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, EURIBOR Notes, Treasury Rate Notes, CMT Rate Notes, CD Rate Notes, Federal Funds Rate Notes, Eleventh District Cost of Funds Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes generally will be treated as variable rate Notes under these rules.

In general, if your variable rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your Note.

If your variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your Note by:

- determining a fixed rate substitute for each variable rate provided under your variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate Note, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your Note.

If your variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate Note will be treated, for purposes of the first three steps of the determination, as if your Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-term Notes. In general, if you are an individual or other cash basis United States Holder of a short-term Note (*i.e.,* a Note with a maturity of one year or less), you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term Notes, you will be required to defer deductions for interest on borrowings allocable to your short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term Note, including stated interest, in your short-term Note's stated redemption price at maturity.

Foreign currency discount Notes. If your discount Note is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount Note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "−United States Holders-Payments of interest". You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your Note.

Market discount

You will be treated as if you purchased your Note, other than a short-term Note, at a market discount, and your Note will be a market discount Note if:

- you purchase your Note for less than its issue price as determined above under "– Original issue discount – General" and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price you paid for your Note is equal to or greater than 1/4 of 1 percent of your Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of your Note for these purposes, you generally add any OID that has accrued on your Note to its issue price.

If your Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price you paid for the Note by less than 1/4 of 1 percent multiplied by the number of complete years to the Note's maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount Note as ordinary income to the extent of the accrued market discount on your Note. Alternatively, you may elect to include market discount in income currently over the life of your Note. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the IRS. If you own a market discount Note and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your Note in an amount not exceeding the accrued market discount on your Note until the maturity or disposition of your Note.

You will accrue market discount on your market discount Note on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the Note with respect to which it is made and you may not revoke it.

Notes purchased at a premium

If you purchase your Note for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your Note by the amount of amortizable bond premium allocable to that year, based on your Note's yield to maturity. If your Note is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your Note is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the IRS. See also "– Original issue discount – Election to treat all interest as original issue discount".

Purchase, sale and retirement of the Notes

Your tax basis in your Note will generally be the U.S. dollar cost, as defined below, of your Note, adjusted by:

- adding any OID or market discount previously included in income with respect to your Note, and then
- subtracting any payments on your Note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your Note.

If you purchase your Note with foreign currency, the U.S. dollar cost of your Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your Note equal to the difference between the amount you realize on the sale or retirement and your tax basis in your Note. If your Note is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your Note, except to the extent:

- described above under "– Original issue discount-Short-term Notes" or "– Market discount",
- attributable to accrued but unpaid interest,
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States Holder is generally taxed at a preferential rate where the Holder has a holding period greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, you will take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of amounts in other than U.S. dollars

If you receive foreign currency as interest on your Note or on the sale or retirement of your Note, your tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of your purchase. If you sell or dispose of a foreign currency, including if you use it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Medicare Tax

For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States Holder's "net investment income" for the relevant taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Notes.

Treasury Regulations Requiring Disclosure of Reportable Transactions

U.S. Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "**Reportable Transaction**"). Under these regulations, if the Notes are denominated in a foreign currency, a United States Holder (or a United States alien Holder that holds the Notes in connection with a U.S. trade or business) that recognizes a loss with respect to the Notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Notes should qualify as specified foreign financial assets unless held in accounts maintained by financial institutions. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

FATCA Withholding

A 30% withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. United States accountholders subject to such information reporting or certification requirements may include Holders of the Notes. To avoid becoming subject to the 30% withholding tax on payments to them, the Issuers and other non-U.S. financial institutions may be required to report information to the IRS regarding the Holders of Notes and, in the case of Holders who (i) fail to provide the relevant information, (ii) are non-U.S. financial institutions who have not agreed to comply with these information reporting requirements, or (iii) hold Notes directly or indirectly through such a non-compliant non-U.S. financial institution, withhold on a portion of payments under the Notes. However, such withholding would generally not apply to payments made before January 1, 2017. Moreover, such withholding would only apply to Notes issued at least six months after the date on which final regulations implementing such rules are enacted. Holders are urged to consult their own tax advisors and any banks or brokers through which they will hold Notes as to the consequences (if any) of these rules to them.

United States alien Holders

This subsection describes the tax consequences to a United States alien Holder. You are a United States alien Holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If you are a United States Holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien Holder of a Note, interest on a Note paid to you is exempt from United States federal income tax, including withholding tax, whether or not you are engaged in a trade or business in the United States, unless:

- you are an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- you both
    - have an office or other fixed place of business in the United States to which the interest is attributable and
    - derive the interest in the active conduct of a banking, financing or similar business within the United States.

Purchase, sale, retirement and other disposition of the Notes

If you are a United States alien Holder of a Note, you generally will not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with your conduct of a trade or business in the United States or
- you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

For purposes of the United States federal estate tax, the Notes will be treated as situated outside the United States and will not be includible in the gross estate of a Holder who is neither a citizen nor a resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death.

Backup withholding and information reporting

If you are a noncorporate United States Holder, information reporting requirements, on IRS Form 1099, generally will apply to:

- payments of principal and interest on a Note within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States, and
- the payment of the proceeds from the sale of a Note effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments if you are a noncorporate United States Holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

If you are a United States alien Holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest made to you outside the United States by the relevant Issuer or another non-United States payor and
- other payments of principal and interest and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:
- the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:
  - an IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or
  - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
- you otherwise establish an exemption.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
  - such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Any amount withheld under the backup withholding rules from a payment to you will be allowed as a refund or credit against your United States federal income tax, provided the required information is timely furnished to the IRS.

New Zealand taxation

The following is a summary of the New Zealand withholding tax treatment at the date of this Offering Memorandum in relation to payments of interest in respect of the Notes. The comments do not deal with other New Zealand tax aspects of acquiring, holding or disposing of Notes. The comments are based on current New

Zealand tax law and published practice, which law or practice may be subject to subsequent change (potentially with retrospective effect). Each investor contemplating acquiring Notes is advised to consult a professional adviser in connection with the consequences relating to the acquisition, retention and disposition of Notes.

Resident withholding tax

ANZ New Zealand is and ANZNIL may be required by law to deduct New Zealand resident withholding tax from the payment of interest to the Holder of any Note on any interest payment date or the maturity date, and, similarly, ANZ New Zealand is required to make such deductions from payments under the Guarantee to the extent such payments constitute interest for New Zealand tax purposes, where:

(a) the Holder is a resident of New Zealand for New Zealand income tax purposes or the Holder is engaged in business in New Zealand, through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand (a "**New Zealand Holder**"); and

(b) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any interest payment date or the maturity date, any New Zealand Holder:

(a) must notify ANZ New Zealand or ANZNIL, as the case may be, or a Paying Agent that the New Zealand Holder is the Holder of a Note; and

(b) must notify ANZ New Zealand or ANZNIL, as the case may be, or a Paying Agent of any circumstances, and provide ANZ New Zealand or ANZNIL, as the case may be, or the relevant Paying Agent with any information that may enable ANZ New Zealand or ANZNIL, as the case may be, to make the payment of interest to the New Zealand Holder without deduction on account of New Zealand resident withholding tax.

The New Zealand Holder must notify ANZ New Zealand or ANZNIL, or a Paying Agent as the case may be, prior to any interest payment date or the maturity date, of any change in the New Zealand Holder's circumstances from those previously notified that could affect ANZ New Zealand's or ANZNIL's, as the case may be, payment or withholding obligations in respect of any Note. By accepting payment of the full face amount of a Note or any interest thereon on any interest payment date or the maturity date, the New Zealand Holder will be deemed to have indemnified ANZ New Zealand or ANZNIL, as the case may be, for all purposes in respect of any liability which ANZ New Zealand or ANZNIL, as the case may be, may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Non-resident withholding tax

To the extent that New Zealand law requires a deduction on account of non-resident withholding tax to be made from the payment of interest, or a payment made under the Guarantee, to any Holder who is not a New Zealand Holder, ANZ New Zealand and ANZNIL intend (for so long as they do not incur any increased cost or detriment from so doing and are legally able to do so) to reduce the applicable rate of non-resident withholding tax to zero percent (in the case of Holders who are not New Zealand Holders and are not associated (as defined in the Income Tax Act 2007) with ANZ New Zealand or ANZNIL, as the case may be) by registering the program with the IRD and paying, on its own account, an approved issuer levy (which is currently equal to 2% of the relevant interest payment or the relevant payment under the Guarantee). It is not possible to use the approved issuer levy regime if the Holder is associated with ANZ New Zealand or ANZNIL, as the case may be.

Other taxes

No ad valorem stamp, issue, registration or similar taxes are payable in New Zealand in connection with the issue of the Notes or the Guarantee. Furthermore, a transfer of or agreement to transfer the Notes or the Guarantee executed outside of New Zealand will not be subject to New Zealand stamp duty.

United Kingdom taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and the United Kingdom stamp duties treatment at the date hereof in relation to the issue and transfer of the Notes and issue of the Guarantee. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and is based on the current law and practice of Her Majesty's Revenue and Customs ("**HMRC**"). Prospective Holders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Holders who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK withholding tax on UK source interest

Interest on Notes may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source ("**UK Interest**"). Interest on Notes may have a United Kingdom source where, for example, the Notes are issued by an Issuer acting through a branch or permanent establishment in the United Kingdom, the notes are secured on assets situated in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom. Notes which carry a right to UK Interest are referred to in this United Kingdom taxation section as "UK Notes".

UK Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 provided they carry a right to interest and are, and continue to be, listed on a recognized stock exchange within the meaning of section 1005 Income Tax Act 2007. HMRC may designate certain exchanges as recognized stock exchanges. The London Stock Exchange is a recognized stock exchange for these purposes. Securities will be treated as listed on a recognized stock exchange only if they are both: (i) admitted to trading on that exchange and (ii) are either included in the official UK list or are listed in a qualifying country outside the UK in accordance with provisions corresponding to those generally applicable in EEA States. Provided that the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In addition to the exemption set out in the preceding paragraph, interest on UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax if the relevant Issuer is a "bank" for the purposes of section 878 Income Tax Act 2007 and so long as such payments are made by the relevant Issuer in the ordinary course of its business. In accordance with the published practice of HMRC, such payments have to date been accepted as being made by the relevant Issuer in the ordinary course of its business unless either:

- the borrowing in question relates to the capital structure of the UK bank. A borrowing is regarded as relating to the capital structure of the UK bank if it conforms to any of the definitions of Tier 1, 2 or 3 capital adopted by the Bank of England, whether or not it actually counts towards Tier 1, 2 or 3 capital for regulatory purposes; or
- the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

However, technical guidance published by HMRC on July 16, 2013 as relates to The Taxation of Regulatory Capital Securities Regulations 2013 (the "**RCP Regulations**"), note that the above practice will be withdrawn when the RCP Regulations take effect.

In all cases falling outside the exemptions described above, interest on UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on UK Notes (or other amounts due under UK Notes other than the repayment of amounts subscribed for such UK Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply, but such payment by the Guarantor may not be eligible for all the exemptions described above in "UK withholding tax on UK source interest".

Other rules relating to United Kingdom withholding tax

Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in "UK withholding tax on UK source interest" above, but may be subject to reporting requirements as outlined below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above and reporting requirements as outlined below.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**interest**" in this United Kingdom taxation section mean "interest" as understood in United Kingdom tax law. The statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer and does not consider the tax consequences of any such substitution.

UK stamp duties

No UK stamp duty, stamp duty reserve tax or other similar tax is payable in connection with the issue of the Notes or the Guarantee. No requirement to pay UK stamp duty should arise in respect of a document relating to any transfer of the Notes in any case where the document is executed outside, and does not relate to anything to be done within, the United Kingdom. No stamp duty will be payable on a document relating to a transfer of the Notes, and no stamp duty reserve tax will be payable in respect of any agreement to transfer Notes, if the Notes do not carry and have not carried any of the following:

(a) a conversion right or rights to acquire other shares or securities;

(b) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital;

(c) a right to interest, the amount of which falls or has fallen to be determined to any extent by reference to results of, or of any part of, a business or to the value of any property; or

(d) a right on repayment to an amount which exceeds the nominal amont of capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

For Notes that do contain or have contained such a term then (assuming that any register relating to the Notes is kept outside the United Kingdom), no stamp duty reserve tax arises on any agreement to transfer such Notes unless the Notes give the Noteholders a right to allotments of or to subscribe for, or an option to acquire, or an interest in (or in dividends or other rights arising out of) stocks, shares or certain types of loan capital in a company which are: (i) interests in a United Kingdom incorporated company; (ii) which are registered in a register kept in the United Kingdom; or (iii) are shares and are "paired" (as defined in section 99(6B) of the Finance Act 1986) with shares issued by a United Kingdom incorporated company.

Reporting Requirements

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of, another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid.

HMRC has indicated that it will not generally use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before April 6, 2014.

European Union savings directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income ("**Savings Income**") made by a person within its jurisdiction to, or collected by such a person for, an individual or certain non-corporate entities, resident in that other Member State (interest payments on the Notes will for these purposes be Savings Income). However, for a transitional period, Austria and Luxembourg are instead applying a withholding system in relation to such payments, deducting tax at 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. In April 2013, the Luxemburg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favour of automatic information exchange under the Savings Directive.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States have adopted and implemented similar measures (either provision of information or transitional withholding—a withholding system in the case of Switzerland) in relation to payments of Savings Income made by a person within its jurisdiction to an individual, or to certain non-corporate entities, resident in a Member State.

In addition, Member States have entered into reciprocal arrangements with certain of those non-EU countries and dependent or associated territories of certain Member States in relation to payments of Savings Income made by a person in a Member State to an individual, or to certain non-corporate entities, resident in certain dependent or associated territories or non-EU countries.

Where an individual Holder receives a payment of Savings Income from any Member State or dependent or associated territory employing the withholding arrangement, the individual Holder may be able to elect not to have tax withheld. The formal requirements may vary slightly from jurisdiction to jurisdiction. They generally require the individual Holder to produce certain information (such as his tax number) and consent to details of payments and other information being transmitted to the tax authorities in his home state. Provided that the other Tax Authority receives all of the necessary information the payment will not suffer a withholding under the Savings Directive or the relevant law conforming with the directive in a dependent or associated territory.

The Savings Directive is currently the subject of a review which may lead to it being amended to overcome its perceived shortcomings. It is not clear if and when these amendments will come into force. Any changes could apply to Notes that have already been issued at the date of the amendment of the Savings Directive.

FATCA developments in the United Kingdom and New Zealand

On September 12, 2012, the governments of the United Kingdom and the United States signed an Agreement to improve International Tax Compliance and to Implement FATCA (the "**UK-US Intergovernmental Agreement**"). On August 6, 2013, HM Treasury made the International Tax Compliance (United States of America) Regulations 2013 to implement the UK-US Intergovernmental Agreement. These regulations may require ANZNIL to supply HMRC with certain information which may then be passed on to the IRS.

On October 25, 2012, the New Zealand Minister of Revenue announced that New Zealand would look to negotiate a FATCA tax information agreement with the United States. Under this intergovernmental agreement, New Zealand financial institutions would provide information to the IRD which would submit the data on their behalf to the IRS. Negotiations on the intergovernmental agreement are currently underway.

General

Neither ANZ New Zealand nor ANZNIL nor any of the Agents makes any comment about the treatment for taxation purposes of payment or receipts in respect of the Notes. Each investor contemplating acquiring Notes is advised to consult a professional adviser in connection with the consequences relating to the acquisition, retention and disposition of Notes.

Employee Retirement Income Security Act

A fiduciary of a pension, profit-sharing or other employee benefit plan (a "**plan**") subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "**plans**"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("**parties in interest**") with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("**non-ERISA arrangements**") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("**similar laws**").

The acquisition of the Notes by a plan with respect to which we or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither ANZ nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the plan involved in the transaction and the plan pays no more and receives no less than "adequate consideration" in connection with the transaction (the "**service provider exemption**"). The U.S. Department of Labor has also issued five prohibited transaction class exemptions, or "**PTCEs**", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes that it either (1) is not a plan and is not purchasing those Notes on behalf of or with "plan assets" of any plan or (2) its purchase or holding of Notes, or exercise of any right thereunder will not result in a non-exempt prohibited transaction for purposes of ERISA or the Code. In addition, any purchaser or holder of Notes or any interest therein which is a non-ERISA arrangement will be deemed to have represented by its purchase or holding of the Notes that its purchase and holding will not constitute or result in a non-exempt violation of the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any plan or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel.

Plan of Distribution

13.4.14(A)

The Notes are being offered on a periodic basis for sale by the Issuers through J.P. Morgan Securities LLC, ANZ Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC and each agent appointed from time to time by the Issuers under and in accordance with the terms of the Distribution Agreement (the "**Agents**"), each of which has agreed to use its reasonable best efforts to solicit offers to purchase the Notes. The applicable Issuer will pay the applicable Agent a commission which will equal the percentage of the principal amount of any such Note sold through such Agent set forth in the relevant Final Terms. An Issuer may also sell Notes to an Agent, as principal, at a discount from the principal amount thereof, and such Agent may later resell such Notes to investors and other purchasers at varying prices related to prevailing market prices at the time of sale as determined by such Agent. An Issuer may also sell Notes directly to, and may solicit and accept offers to purchase directly from, investors on its own behalf in those jurisdictions where it is authorized to do so. The Notes will be offered in accordance with the provisions of the Distribution Agreement.

In addition, the Agents may offer the Notes they have purchased as principal to other Agents. The Agents may sell Notes to any Agent at a discount. Unless otherwise indicated, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical term, and may be resold by such Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial offering of Notes to be resold to investors and other purchasers on a fixed offering price basis, the offering price, concession and discount may be changed.

Each Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part whether placed directly with such Issuer or through an Agent. Each Agent will have the right, in its discretion reasonably exercised, to reject any offer to purchase Notes received by it, in whole or in part.

In connection with an offering of Notes purchased by one or more Agents as principal on a fixed offering price basis, such Agent(s) will be permitted to over-allot or engage in transactions that stabilize the price of Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of Notes. If the Agent creates or the Agents create, as the case may be, a short position in Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the relevant Final Terms, such Agent(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilization or to reduce a short position could cause the price of Notes to be higher than it might be in the absence of such purchases. Such stabilization if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilization, if any, shall be in compliance with all laws.

None of the Issuers, ANZ New Zealand (in the case of ANZNIL Notes) or any of the Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, none of the Issuers, ANZ New Zealand (in the case of ANZNIL Notes) or any of the Agents make any representation that the Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Agents may from time to time purchase and sell Notes in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the Agents may make a market in the Notes.

The Issuers have agreed to indemnify the several Agents against and to make contributions relating to certain liabilities, including liabilities under the Securities Act. The Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Agents may engage in transactions with, or perform services for, the Issuers in the ordinary course of business.

Some of the Agents or their affiliates have, directly or indirectly, performed investment and/or commercial banking or financial advisory services for the Issuers or their affiliates, for which they may have received customary fees and commissions, and they expect to provide these services to the Issuers and their affiliates in the future, for which they may also receive customary fees and commissions. In the ordinary course of their various business activities, the Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the Issuers. If any of the Agents or their affiliates have a lending relationship with us, certain of those Agents or their affiliates routinely hedge, and certain other of those Agents or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Agents and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Agents and their respective affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

United States

The Notes are not being registered under the Securities Act in reliance upon Regulation S under the Securities Act and the exemptions from registration provided by Section 4(a)(2) of the Securities Act and Rule 144A promulgated thereunder. The Notes are being offered hereby only (A) to QIBs in reliance on Rule 144A and (B) to persons other than U.S. persons (as defined in Regulation S) in offshore transactions in reliance upon Regulation S. The minimum principal amount of Notes which may be purchased for any account is US$200,000 or such larger principal amounts as shall be specified in the relevant Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency).

Prior to any issuance of Notes in reliance on Regulation S, each relevant agent will be deemed to represent and agree that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the distribution compliance period (as defined in Regulation S) a confirmation or notice substantially to the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not as a matter of U.S. law be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A, if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S".

Until the expiration of the period ending 40 days after the later of the commencement of the offering and the issue date of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from Registration under the Securities Act.

There is no undertaking to register the Notes hereafter and they cannot be resold except pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act. Each purchaser of the Notes offered hereby in making its purchase shall be deemed to have made the acknowledgments, representations and agreements as set forth under "Notice to Purchasers" contained on pages i and ii hereof.

United Kingdom

Each Agent has represented and agreed and each further Agent appointed under the Distribution Agreement will be required to represent and agree that:

(i) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer and, in the case of ANZNIL Notes, ANZ New Zealand as guarantor; and

(ii) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

New Zealand

No action has been or will be taken by any Issuer, the Guarantor or the Agents which would permit a public offering of any of the Notes, or possession or distribution of any offering material in relation to the Notes to the public in New Zealand other than pursuant to the exemptions set out below. Each Agent will be deemed to represent and agree, and each further Agent appointed under the Distribution Agreement will represent and agree, that:

(i) it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Note; and

(ii) it will not distribute any offering memorandum or advertisement in relation to any offer of Notes;

in New Zealand other than:

- to persons who are each required to pay a minimum subscription price for Notes of at least NZ$500,000 (disregarding any amount lent by the offeror, the relevant Issuer or any associated person of the offeror or the relevant Issuer); or
- in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Each Agent will be deemed to represent and agree that it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Agent (in which event the Agent shall provide details thereof to the relevant Issuer or to the Fiscal Agent).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "**FIEL**"), and each Agent will be deemed to represent and agree that it has not offered or sold, and agrees not to offer or sell the Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a Japanese Person, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other applicable laws, regulations and ministerial guidelines of Japan. For the purpose of this paragraph "**Japanese Person**" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

Each Agent will be deemed to represent and agree that it has not offered or sold and will not offer or sell the Notes by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of the Laws of Hong Kong ("**CO**"), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("**SFO**") and any rules made thereunder or (iii) in other circumstances which do not result in this Offering Memorandum being a "prospectus" within the meaning of the CO, and it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Agent has represented and agreed, and each further Agent appointed under the Distribution Agreement will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum, as completed by the Final Terms in relation thereto, to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Agent or Agents nominated by the relevant Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directives 2010/73/EU.

Legal Matters

The validity of the Notes under New York law will be passed upon for us by our United States counsel Sullivan & Cromwell, Melbourne, Australia. The validity of the Notes under New York law will be passed upon for the Agents by their United States counsel, Sidley Austin LLP, New York, New York, United States. The validity of the Notes under New Zealand law will be passed upon for us by our New Zealand counsel Russell McVeagh, Wellington, New Zealand. These opinions will be conditioned upon, and subject to certain assumptions regarding future action required to be taken by the relevant Issuer, ANZ New Zealand (in the case of ANZNIL Notes) and the Fiscal Agent in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained at the date of such opinions.

Independent Auditors

The consolidated financial statements of ANZ Bank New Zealand Limited and its subsidiaries as at September 30, 2013 and September 30, 2012 and for each of the years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein. 11.2.1 11.11.3.1

The financial statements of ANZ New Zealand (Int'l) Limited as at September 30, 2013 and September 30, 2012 and for each of the years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein. 9.2.1 9.11.3.1

General Information

1. The admission of the program to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market is expected to take effect on or about November 27, 2013. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market will be admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction. 13.5.1(i)(C) 13.5.1(ii)(C)

2. Save as disclosed in the "Recent Developments" section of this Offering Memorandum under the heading "Contingent Liabilities", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either Issuer is aware) during the last 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of each Issuer and, in the case of ANZ New Zealand, its subsidiaries taken as a whole. 9.11.5 11.11.6

3. Since September 30, 2013, there has been no material adverse change in the prospects of each Issuer and, in the case of ANZ New Zealand, its subsidiaries taken as a whole and the ANZ New Zealand Group. Since September 30, 2013, there has been no significant change in the financial or trading position of the ANZ New Zealand Group and ANZNIL. 9.11.6 11.7.1 11.11.7

4. There are no material contracts having been entered into outside the ordinary course of any of the Issuers' businesses, which could result in any group member of any Issuer being under an obligation or entitlement that is material to that Issuer's ability to meet its obligation to Noteholders in respect of the securities being issued. 9.7.1 9.12 11.7.1 11.12

5. For so long as Notes may be issued pursuant to this Offering Memorandum or any Notes shall be outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent, the London Paying Agent and the relevant Issuer: 6.4.1 9.14 11.11.5.1 11.14

(i) the constitutive documents of the relevant Issuer;

(ii) the Fiscal Agency Agreement;

(iii) the Guarantee;

(iv) any Final Terms;

(v) a copy of this Offering Memorandum together with any supplement to this Offering Memorandum or further Offering Memorandum;

(vi) copies of the most recent publicly available audited accounts of the ANZ New Zealand Group for the financial years ending September 30, 2013 and 2012, including copies of the report of the independent auditor thereon; and

(vii) copies of the most recently available audited accounts of ANZNIL for the years ended September 30, 2013 and 2012, including copies of the report of the independent auditor thereon.

6. The price and amount of Notes to be issued will be determined by the relevant Issuer and the relevant Agent at the time of issue in accordance with the prevailing market conditions at such time.

7. The Issuers do not intend to provide any post-issuance information in relation to any issue of Notes.

8. The establishment of the program and the issue of the Notes by it thereunder was authorized (i) by resolutions of the board of directors of ANZ New Zealand on August 13, 2004, February 16, 2006, October 12, 2006, June 19, 2008, December 2, 2008 and April 15, 2010 (ii) by resolutions of the board of directors of ANZNIL on March 4, 2005, March 23, 2006, September 18, 2006, November 28, 2008, December 23, 2008, September 2, 2010 and November 23, 2011 and (iii) by resolutions of the shareholder of ANZNIL on February 10, 2005 and February 16, 2006. 13.4.12(C)

Annex A-ANZ New Zealand Financial Statements

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ANZ Bank New Zealand Limited

Annual Report and Disclosure Statement

For the year ended 30 September 2013

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Annual Report

Pursuant to section 211(3) of the Companies Act 1993 (the "Act"), the shareholder of the Bank has agreed that the Annual Report of the Bank and the Banking Group need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year ended 30 September 2013 and the audit report on those financial statements.

For and on behalf of the Board of Directors:

John Judge	David Hisco
Chairman	Executive Director
18 November 2013	18 November 2013

Glossary of Terms

In this Disclosure Statement unless the context otherwise requires:

(a) "Bank" means ANZ Bank New Zealand Limited;
(b) "Banking Group" means ANZ Bank New Zealand Limited and all its subsidiaries;
(c) "Immediate Parent Company" means ANZ Holdings (New Zealand) Limited;
(d) "Ultimate Parent Bank" means Australia and New Zealand Banking Group Limited;
(e) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its subsidiaries;
(f) "New Zealand business" means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
(g) "NZ Branch" means the New Zealand business of the Ultimate Parent Bank;
(h) "ANZ New Zealand" means the New Zealand business of the Overseas Banking Group;
(i) "Registered Office" is, from 22 November 2013, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand, which is also the Banking Group's address for Service;
(j) "RBNZ" means the Reserve Bank of New Zealand;
(k) "APRA" means the Australian Prudential Regulation Authority;
(l) "the Order" means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013; and
(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

General Matters

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

The Bank is incorporated under the Companies Act 1993. The Bank is wholly owned by its Immediate Parent Company and ultimately by the Ultimate Parent Bank. The Immediate Parent Company of the Bank is incorporated in New Zealand and owned by ANZ Funds Pty Limited and the Ultimate Parent Bank (both incorporated in Australia). The address for service for the Ultimate Parent Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

The Immediate Parent Company has the power under the Bank's Constitution to appoint any person as a Director of the Bank either to fill a casual vacancy or as an additional Director or to remove any person from the office of Director, from time to time by giving written notice to the Bank. No appointment of a new Director may occur unless the RBNZ confirms that it does not object to the appointment.

Credit Rating Information

As at 18 November 2013 the Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

The Bank's Credit Ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Stable
Moody's Investors Service	Aa3	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

General Disclosures

Changes in credit ratings over the last two years

On 1 December 2011, Standard and Poor's downgraded the Bank's long-term senior unsecured debt and deposit ratings from AA outlook stable to AA- outlook stable. This followed a similar one notch downgrade on the Ultimate Parent Bank and other major Australian banks.

On 30 January 2012, Fitch changed the outlook on the Bank's long-term senior unsecured debt and deposit ratings from positive to negative. This occurred simultaneously to a similar change in the outlook of ratings of the Ultimate Parent Bank and other major Australian banks. This was followed by a change in outlook from negative to stable on 24 February 2012.

There were no other changes to the Bank's credit ratings or qualifications during the two years ended 30 September 2013.

The following table describes the credit rating grades available:

	Standard & Poor's	Moody's Investors Service	Fitch Ratings
The following grades display investment grade characteristics:			
Ability to repay principal and interest is extremely strong. This is the highest investment category.	**AAA**	**Aaa**	**AAA**
Very strong ability to repay principal and interest.	**AA**	**Aa**	**AA**
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	**A**	**A**	**A**
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	**BBB**	**Baa**	**BBB**
The following grades have predominantly speculative characteristics:			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	**BB**	**Ba**	**BB**
Greater vulnerability and therefore greater likelihood of default.	**B**	**B**	**B**
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	**CCC**	**Caa**	**CCC**
Highest risk of default.	**CC to C**	**Ca to C**	**CC to C**
Obligations currently in default.	**D**	**-**	**RD & D**

Credit ratings from Standard & Poor's and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

Material Financial Support

In accordance with requirements issued by APRA pursuant to its Prudential Standards, the Ultimate Parent Bank may not provide material financial support to the Bank contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
  - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in some cases approval) is required before entering exceptionally large exposures;
  - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank; and
- the level of exposure to the Bank not exceeding:
  - 50% on an individual exposure basis; and
  - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank)

  of the Ultimate Parent Bank's capital base.

Additionally, the Ultimate Parent Bank may not provide material financial support in breach of the Australian Banking Act (1959). This requires APRA to exercise its powers and functions for the protection of a bank's depositors and in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia shall be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The Ultimate Parent Bank has not provided material financial support to the Bank contrary to any of the above requirements.

Guarantors

No material obligations of the Bank are guaranteed as at 18 November 2013.

ANZNZ Covered Bond Trust

Certain debt securities ("Covered Bonds") issued by the Bank's wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the "Covered Bond Guarantor"), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 30 September 2013 of $3,925 million, 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, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 36.

Summary of Financial Statements

	Banking Group				
	Year to	Year to	Year to	Year to	Year to
$ millions	**30/09/2013**	30/09/2012	30/09/2011	30/09/2010	30/09/2009
Interest income	**5,957**	6,017	6,179	5,876	7,345
Interest expense	**3,344**	3,335	3,620	3,457	4,892
Net interest income	**2,613**	2,682	2,559	2,419	2,453
Non-interest income	**823**	1,006	856	744	663
Operating income	**3,436**	3,688	3,415	3,163	3,116
Operating expenses	**1,507**	1,742	1,686	1,565	1,477
Provision for credit impairment	**63**	193	178	436	874
Profit before income tax	**1,866**	1,753	1,551	1,162	765
Income tax expense	**492**	428	452	335	467
Profit after income tax	**1,374**	1,325	1,099	827	298
Dividends paid	**(1,065)**	(1,150)	(700)	(600)	(1,000)

	As at	As at	As at	As at	As at
$ millions	**30/09/2013**	30/09/2012	30/09/2011	30/09/2010	30/09/2009
Total impaired assets	**894**	1,366	1,726	2,004	1,178
Total assets	**120,438**	121,556	121,440	116,458	117,891
Total liabilities	**108,971**	110,624	110,615	106,012	107,803
Non-controlling interests	**-**	-	-	1	-
Equity	**11,467**	10,932	10,825	10,446	10,088

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

Income Statement

		Banking Group		Bank	
		Year to	Year to	**Year to**	Year to
$ millions	**Note**	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Interest income	**4**	**5,957**	6,017	**6,272**	6,292
Interest expense	**5**	**3,344**	3,335	**4,021**	3,964
Net interest income		**2,613**	2,682	**2,251**	2,328
Net trading gains	**4**	**163**	131	**162**	129
Net funds management and insurance income	**4**	**234**	298	**73**	69
Other operating income	**4**	**419**	573	**778**	839
Share of associates' profit		**7**	4	**-**	-
Operating income		**3,436**	3,688	**3,264**	3,365
Operating expenses	**5**	**1,507**	1,742	**1,211**	1,611
Profit before provision for credit impairment and income tax		**1,929**	1,946	**2,053**	1,754
Provision for credit impairment	**14**	**63**	193	**56**	187
Profit before income tax		**1,866**	1,753	**1,997**	1,567
Income tax expense	**6**	**492**	428	**418**	347
Profit after income tax		**1,374**	1,325	**1,579**	1,220

Statement of Comprehensive Income

	Banking Group		Bank	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Profit after income tax	**1,374**	1,325	**1,579**	1,220
Items that will not be reclassified to profit or loss				
Actuarial gain / (loss) on defined benefit schemes	**55**	(25)	**55**	(25)
Income tax credit / (expense) relating to items not reclassified	**(15)**	6	**(15)**	6
Total items that will not be reclassified to profit or loss	**40**	(19)	**40**	(19)
Items that may be reclassified subsequently to profit or loss				
Unrealised gains / (losses) recognised directly in equity	**(138)**	46	**(138)**	49
Realised gains transferred to the income statement	**(21)**	(95)	**(21)**	(99)
Income tax credit relating to items that may be reclassified	**45**	-	**45**	-
Total items that may be reclassified subsequently to profit or loss	**(114)**	(49)	**(114)**	(50)
Total comprehensive income for the year	**1,300**	1,257	**1,505**	1,151

Statement of Changes in Equity

$ millions	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
	Banking Group				
As at 1 October 2011	6,943	46	141	3,695	10,825
Profit after income tax	-	-	-	1,325	1,325
Unrealised gains recognised directly in equity	-	34	12	-	46
Realised gains transferred to the income statement	-	(83)	(12)	-	(95)
Actuarial loss on defined benefit schemes	-	-	-	(25)	(25)
Income tax credit on items recognised directly in equity	-	-	-	6	6
Total comprehensive income for the year	-	(49)	-	1,306	1,257
Ordinary dividend paid	-	-	-	(1,150)	(1,150)
As at 30 September 2012	6,943	(3)	141	3,851	10,932
Profit after income tax	**-**	**-**	**-**	**1,374**	**1,374**
Unrealised gains / (losses) recognised directly in equity	**-**	**1**	**(139)**	**-**	**(138)**
Realised gains transferred to the income statement	**-**	**-**	**(21)**	**-**	**(21)**
Actuarial gain on defined benefit schemes	**-**	**-**	**-**	**55**	**55**
Income tax credit / (expense) on items recognised directly in equity	**-**	**-**	**45**	**(15)**	**30**
Total comprehensive income for the year	**-**	**1**	**(115)**	**1,414**	**1,300**
Ordinary dividend paid	**-**	**-**	**-**	**(1,065)**	**(1,065)**
Preference shares issued (Note 27)	**300**	**-**	**-**	**-**	**300**
As at 30 September 2013	**7,243**	**(2)**	**26**	**4,200**	**11,467**

$ millions	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
	Bank				
As at 1 October 2011	6,943	47	141	3,073	10,204
Profit after income tax	-	-	-	1,220	1,220
Unrealised gains recognised directly in equity	-	37	12	-	49
Realised gains transferred to the income statement	-	(87)	(12)	-	(99)
Actuarial loss on defined benefit schemes	-	-	-	(25)	(25)
Income tax credit on items recognised directly in equity	-	-	-	6	6
Total comprehensive income for the year	-	(50)	-	1,201	1,151
Ordinary dividend paid	-	-	-	(1,150)	(1,150)
As at 30 September 2012	6,943	(3)	141	3,124	10,205
Profit after income tax	**-**	**-**	**-**	**1,579**	**1,579**
Unrealised gains / (losses) recognised directly in equity	**-**	**1**	**(139)**	**-**	**(138)**
Realised gains transferred to the income statement	**-**	**-**	**(21)**	**-**	**(21)**
Actuarial gain on defined benefit schemes	**-**	**-**	**-**	**55**	**55**
Income tax credit / (expense) on items recognised directly in equity	**-**	**-**	**45**	**(15)**	**30**
Total comprehensive income for the year	**-**	**1**	**(115)**	**1,619**	**1,505**
Ordinary dividend paid	**-**	**-**	**-**	**(1,065)**	**(1,065)**
Preference shares issued (Note 27)	**300**	**-**	**-**	**-**	**300**
As at 30 September 2013	**7,243**	**(2)**	**26**	**3,678**	**10,945**

Balance Sheet

		Banking Group		Bank	
$ millions	**Note**	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Assets					
Liquid assets	**8**	**2,496**	2,831	**2,495**	2,815
Due from other financial institutions	**9**	**1,570**	1,722	**1,570**	1,722
Trading securities	**10**	**10,320**	12,338	**10,319**	12,338
Derivative financial instruments	**11**	**9,518**	12,753	**9,522**	12,788
Current tax assets		**-**	15	**62**	79
Available-for-sale assets	**12**	**782**	57	**780**	54
Net loans and advances	**13**	**90,489**	86,678	**88,229**	84,319
Due from subsidiaries	**25**	**-**	-	**12,206**	11,619
Investments backing insurance policy liabilities		**172**	142	**-**	-
Insurance policy assets		**399**	408	**-**	-
Investments in subsidiaries and associates	**16**	**98**	99	**4,864**	6,609
Other assets	**17**	**731**	592	**760**	611
Deferred tax assets	**6**	**39**	93	**128**	185
Premises and equipment		**376**	323	**61**	74
Goodwill and other intangible assets	**18**	**3,448**	3,505	**3,299**	3,317
Total assets		**120,438**	121,556	**134,295**	136,530
Interest earning and discount bearing assets		**105,866**	104,095	**115,614**	113,177
Liabilities					
Due to other financial institutions	**19**	**1,517**	1,759	**1,517**	1,555
Deposits and other borrowings	**20**	**77,697**	73,652	**71,440**	66,731
Due to subsidiaries	**25**	**-**	-	**33,768**	37,940
Due to Immediate Parent Company	**25**	**939**	740	**939**	740
Derivative financial instruments	**11**	**10,243**	13,930	**10,252**	13,930
Payables and other liabilities	**21**	**1,705**	1,792	**1,416**	1,469
Current tax liabilities		**3**	-	**-**	-
Provisions	**22**	**229**	339	**187**	292
Bonds and notes	**23**	**15,494**	17,244	**2,687**	2,500
Loan capital	**24**	**1,144**	1,168	**1,144**	1,168
Total liabilities		**108,971**	110,624	**123,350**	126,325
Net assets		**11,467**	10,932	**10,945**	10,205
Equity					
Share capital	**27**	**7,243**	6,943	**7,243**	6,943
Reserves		**24**	138	**24**	138
Retained earnings		**4,200**	3,851	**3,678**	3,124
Total equity		**11,467**	10,932	**10,945**	10,205
Interest and discount bearing liabilities		**91,061**	89,299	**105,764**	105,017

For and on behalf of the Board of Directors:

John Judge
Chairman
18 November 2013

David Hisco
Executive Director
18 November 2013

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

Cash Flow Statement

$ millions	Note	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Cash flows from operating activities					
Interest received		**5,916**	5,991	**6,226**	6,262
Dividends received		**4**	4	**254**	205
Net funds management & insurance income		**236**	196	**73**	69
Fees and other income received		**637**	645	**710**	722
Interest paid		**(3,368)**	(3,301)	**(4,020)**	(3,921)
Operating expenses paid		**(1,550)**	(1,615)	**(1,493)**	(1,549)
Income taxes paid		**(390)**	(408)	**(314)**	(411)
Cash flows from operating profits before changes in operating assets and liabilities	33	**1,485**	1,512	**1,436**	1,377
Net changes in operating assets and liabilities:					
Change in due from other financial institutions - term		**101**	264	**101**	264
Change in trading securities		**1,558**	(3,761)	**1,559**	(3,770)
Change in derivative financial instruments		**555**	2,000	**608**	1,723
Change in available-for-sale assets		**(714)**	391	**(715)**	361
Change in insurance investment assets		**(30)**	(44)	**-**	-
Change in loans and advances		**(7,071)**	(5,777)	**(7,161)**	(5,714)
Proceeds from sale of loans and advances to NZ Branch		**3,144**	2,397	**3,144**	2,397
Change in due from subsidiaries		**-**	-	**(587)**	134
Change in due to subsidiaries		**-**	-	**(4,982)**	370
Change in other assets		**11**	87	**26**	(16)
Change in due to other financial institutions		**(242)**	(1,952)	**(38)**	(2,156)
Change in deposits and other borrowings		**3,781**	3,813	**4,648**	3,647
Change in payables and other liabilities		**99**	37	**98**	37
Net changes in operating assets and liabilities		**1,192**	(2,545)	**(3,299)**	(2,723)
Net cash flows provided by / (used in) operating activities		**2,677**	(1,033)	**(1,863)**	(1,346)
Cash flows from investing activities					
Proceeds from sale of shares in associates and joint venture		**1**	5	**-**	4
Proceeds from sale of intangible assets		**-**	11	**-**	-
Proceeds from sale and redemption of shares in subsidiaries		**68**	-	**1,977**	-
Purchase of intangible assets		**(27)**	(40)	**(27)**	(39)
Purchase of premises and equipment		**(115)**	(55)	**(12)**	(12)
Net cash flows provided by / (used in) investing activities		**(73)**	(79)	**1,938**	(47)
Cash flows from financing activities					
Proceeds from issue of bonds and notes		**2,167**	5,678	**200**	800
Proceeds from issue of loan capital		**12**	-	**12**	-
Proceeds from issue of preference shares		**300**	-	**300**	-
Redemptions of bonds and notes		**(4,611)**	(5,445)	**(100)**	(290)
Redemptions of loan capital		**-**	(816)	**-**	(816)
Change in funding from Immediate Parent Company		**199**	566	**199**	566
Dividends paid		**(1,065)**	(1,150)	**(1,065)**	(1,150)
Net cash flows used in financing activities		**(2,998)**	(1,167)	**(454)**	(890)
Net decrease in cash and cash equivalents		**(394)**	(2,279)	**(379)**	(2,283)
Cash and cash equivalents at beginning of the year		**3,255**	5,534	**3,239**	5,522
Cash and cash equivalents at end of the year	33	**2,861**	3,255	**2,860**	3,239

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Order. The Bank's financial statements are for ANZ Bank New Zealand Limited as a separate entity and the Banking Group's financial statements are for the Bank's consolidated group, which includes subsidiaries and associates.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(ii) Use of estimates and assumptions

Preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. Actual results may differ from these estimates.

Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, are covered in note 2. Such estimates will require review in future periods.

(iii) Basis of measurement

The financial statements have been prepared in accordance with the historical cost basis except that the following assets and liabilities are stated at their fair value:

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

(iv) Changes in accounting policies and application of new accounting standards

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the prior period. The Banking Group has applied, where relevant, all new or revised NZ IFRSs and NZ IFRS Interpretations applicable to annual reporting periods commencing on or before 1 October 2012. The initial application of these standards and interpretations has only resulted in changes to disclosures.

(v) Rounding

The amounts in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vi) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. The comparative figures in the notes to the financial statements relating to these items have been reclassified accordingly.

(vii) Principles of consolidation

Subsidiaries

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries where it is determined that there is capacity to control.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists. Control is usually present when an entity has:

- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

In addition, potential voting rights that are presently exercisable or convertible are taken into account in determining whether control exists.

In relation to special purpose entities control is deemed to exist where:

- in substance, the majority of the residual risks and rewards from their activities accrue to the Banking Group; or
- in substance, the Banking Group controls decision making powers so as to obtain the majority of the risks and rewards from their activities.

The effect of all transactions between entities in the Banking Group is eliminated.

Where subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

Associates

The Banking Group applies the equity method of accounting for associates.

The Banking Group's share of results of associates is included in the consolidated income statement. Shares in associates are carried in the consolidated balance sheet at cost plus the Banking Group's share of post acquisition net assets less accumulated impairment. Interests in associates are reviewed for any indication of impairment at least at each reporting date. Where an indication of the impairment exists, the recoverable amount of the associate is determined as the higher of the associate's fair value less costs to sell and its value in use. A discounted cash flow methodology and other methodologies, such as the capitalisation of earnings method, are used to determine the reasonableness of the valuation.

In the Bank's financial statements investments in subsidiaries and associates are carried at cost less accumulated impairment losses.

Notes to the Financial Statements

(viii) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Banking Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Banking Group's financial statements are presented in New Zealand dollars, which is the Banking Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the income statement in the period in which they arise.

Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss on these items.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in the available-for-sale revaluation reserve in equity.

(b) Income recognition

Income is recognised to the extent that it is probable that economic benefits will flow to the Banking Group and that revenue can be reliably measured.

(i) Interest income

Interest income is recognised as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis.

(ii) Fee and commission income

Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method. For example, loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn. Commitment fees to originate a loan which is unlikely to be drawn down are recognised as fee income as the service is provided.

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(iii) Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Gain or loss on sale of assets

The gain or loss on the disposal of assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal net of incremental disposal costs. This is recognised as an item of other income in the period in which the significant risks and rewards of ownership are transferred to the buyer.

(c) Expense recognition

Expenses are recognised in the income statement on an accruals basis.

(i) Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method.

(ii) Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers and certain customer incentive payments in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the effective yield of the financial asset over its expected life using the effective interest method.

(iii) Lease payments

Leases entered into by the Banking Group as lessee are predominantly operating leases, and the operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(d) Income tax

(i) Income tax expense

Income tax on earnings for the year comprises current and deferred tax and is based on the applicable tax law. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability

Notes to the Financial Statements

(or asset) to the extent that it is unpaid (or refundable).

(iii) Deferred tax

Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credit can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the Banking Group is able to control the reversal of the temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

(iv) Offsetting

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

(e) Assets

Financial assets

(i) Financial assets and liabilities at fair value through profit or loss

Trading securities are financial instruments acquired principally for the purpose of selling in the short-term or which are a part of a portfolio which is managed for short-term profit-taking. Trading securities are initially recognised and subsequently measured in the balance sheet at their fair value.

Derivatives that are not effective accounting hedging instruments are carried at fair value through profit or loss. In addition, certain financial assets and liabilities are designated and measured at fair value through profit or loss where the following applies:

- the asset represents investments backing insurance policy liabilities;
- doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities, or recognising the gains or losses thereon, on different bases;
- a group of financial assets or financial liabilities or both is managed and its performance evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Changes in the fair value (gains or losses) of these financial instruments are recognised in the income statement in the period in which they occur.

Purchases and sales of trading securities are recognised on trade date.

(ii) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price index or other variables. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are entered into for trading purposes (including customer-related reasons) or for hedging purposes (where the derivative instruments are used to hedge the Banking Group's exposures to interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions).

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement. Valuation adjustments are integral in determining the fair value of derivatives. This includes a credit valuation adjustment (CVA) to reflect the credit worthiness of the counterparty and funding valuation adjustment (FVA) to account for the funding cost inherent in the portfolio.

Where the derivative is designated and is effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. These hedging designations and associated accounting are as follows:

Fair value hedge

Where the Banking Group hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the income statement. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged item, which are also recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement over the period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Notes to the Financial Statements

Cash flow hedge

The Banking Group designates derivatives as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, a foreign exchange component of a firm commitment, or a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges is deferred to the hedging reserve, which forms part of shareholders' equity. Any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the period during which the hedged forecast transactions take place.

When the hedge expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting, the cumulative amount deferred in equity remains in the hedging reserve, and is subsequently transferred to the income statement when the hedged item is recognised in the income statement.

When a forecast hedged transaction is no longer expected to occur, the amount deferred in equity is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair value of derivatives that are not designated in a hedging relationship but are entered into to manage the interest rate and foreign exchange risk of the Banking Group are recognised in the income statement. Under certain circumstances, the component of the fair value change in the derivative which relates to current period realised and accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

(iii) Available-for-sale assets

Available-for-sale assets comprise non-derivative financial assets which the Banking Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and include equity investments and quoted debt securities.

They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve. When the asset is sold, the cumulative gain or loss relating to the asset is transferred to the income statement.

Where there is objective evidence of impairment on an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in the income statement, as an impairment expense for debt instruments or as non-interest income for equity instruments. If, in a subsequent period, the amount of an impairment loss relating to an available-for-sale debt instrument decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the income statement through the impairment expense line.

Purchases and sales of available-for-sale financial assets are recognised on trade date, being the date on which the Banking Group commits to purchase or sell the asset.

(iv) Net loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Banking Group provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method, unless specifically designated on initial recognition at fair value through profit or loss.

All loans are graded according to the level of credit risk.

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills.

Impairment of loans and advances

Loans and advances are reviewed at least at each reporting date for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events, that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans) and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data such as changed economic conditions. The provision also takes account of the impact of inherent risk of large concentrated losses within the portfolio and an assessment of the economic cycle.

The estimated impairment losses are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of capitalised acquisition expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement for the reporting period is reflected in the income statement.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment. Unsecured facilities are normally written-off when they become 180 days past due or earlier in the event of the customer's bankruptcy or similar legal release from the obligation. However, a certain level of recoveries is expected after the write-off, which is reflected in the amount of the provision for credit losses. In the case of secured facilities, remaining balances are written-off after proceeds from the realisation of collateral have been received, if there is a shortfall.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the income statement.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

(v) Lease receivables

Contracts to lease assets and hire purchase agreements are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. All other lease contracts are classified as operating leases.

(vi) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the Banking Group, and a counterparty liability is disclosed under the classifications of due to other financial institutions or payables and other liabilities. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where the Banking Group does not acquire the risks and rewards of ownership, are recorded as receivables in liquid assets, net loans and advances, or due from other financial institutions, depending on the term of the agreement and the counterparty. The security is not included in the balance sheet. Interest income is accrued on the underlying loan amount.

Securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, at which point the obligation to repurchase is recorded as a financial liability at fair value with fair value movements included in the income statement.

(vii) Derecognition

The Banking Group enters into transactions where it transfers financial assets recognised on its balance sheet yet retains either all the risks and rewards of the transferred assets or a portion of them. If all, or substantially all, the risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

In transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Banking Group derecognises the asset if control over the asset is lost. In transfers where control over the asset is retained, the Banking Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The rights and obligations retained or created in the transfer are recognised separately as assets and liabilities as appropriate.

Non-financial assets

(viii) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control. Goodwill is recognised as an asset and not amortised, but is assessed for impairment at least annually or more frequently if there is an indication that the goodwill may be impaired. Where the assessment results in the goodwill balance exceeding the value of expected future benefits, the difference is charged to the income statement. Any impairment of goodwill is not subsequently reversed.

(f) Liabilities

Financial liabilities

(i) Deposits and other borrowings

Deposits and other borrowings include certificates of deposit, interest bearing deposits, debentures, commercial paper and other related interest and non-interest bearing financial instruments. Deposits and other borrowings, excluding commercial paper, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method. Commercial paper is designated at fair value through profit or loss, with fair value movements recorded directly in the income statement, which reflects the basis on which it is managed.

(ii) Bonds, notes and loan capital

Bonds, notes and loan capital are accounted for in the same way as deposits and other borrowings, except for those bonds and notes which are designated at fair value through profit or loss on initial recognition, with fair value movements recorded in the income statement.

(iii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received. Subsequent to initial recognition, the Banking Group's liabilities under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses.

(iv) Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(g) Equity

(i) Shares

Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

Notes to the Financial Statements

(ii) Reserves

Available-for-sale revaluation reserve

This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the income statement (in non-interest income) when the asset is derecognised. Where the asset is impaired, the changes are transferred to the impairment expense line in the income statement for debt instruments and in the case of equity instruments to non-interest income.

Cash flow hedging reserve

This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

(h) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as being effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

(ii) Offsetting of financial assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Statement of cash flows

For cash flow statement presentation purposes, cash and cash equivalents includes: cash on hand; deposits held at call with other financial institutions; and other short term, highly liquid, investments with original terms of maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Banking Group. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

(iv) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

(v) Segment reporting

Operating segments are distinguishable components of the Banking Group that provide products or services that are subject to risks and rewards that are different to those of other operating segments. The Banking Group operates predominately in the banking industry within New Zealand. The Banking Group has very limited exposure to risk associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided.

(i) Other

(i) Contingent liabilities

Contingent liabilities acquired in a business combination are individually measured at fair value at the acquisition date. At subsequent reporting dates the value of such contingent liabilities is reassessed based on the estimate of expenditure required to settle the contingent liability.

Other contingent liabilities are not recognised in the balance sheet but disclosed in Note 35 unless it is considered remote that the Banking Group will be liable to settle the possible obligation.

(ii) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Banking Group in these financial statements. The Banking Group currently does not intend to apply any of these pronouncements until their effective date.

Standards and amendments effective for periods commencing after 1 January 2013

The Banking Group does not expect any significant impact on the financial statements from the application of the following standards.

NZ IFRS 10 Consolidated Financial Statements
Establishes a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investors.

NZ IAS 27 (2011) Separate Financial Statements
Carries forward the existing accounting and disclosure requirements for separate financial statements.

The Banking Group is still assessing the impact of the following standards on the financial statements.

Amendments to NZ IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Requires additional disclosures for financial assets and liabilities that are set off, and recognised financial instruments that are subject to an enforceable master netting agreement.

NZ IFRS 13 Fair Value Measurement
Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

NZ IFRS 12 Disclosure of Interests in Other Entities
Provides a single, consistent approach for disclosures of all interests in subsidiaries, joint arrangements, associates and structured entities.

Standards and amendments effective for periods commencing after 1 January 2015

NZ IFRS 9 Financial Instruments
Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income. The Banking Group is assessing the impact on the financial statements.

2. Critical Estimates and Judgement Used in Applying Accounting Policies

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Banking Group, in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Critical accounting estimates and assumptions

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the Banking Group to assess impairment at least at each reporting date. The credit provisions raised (collective and individual) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio and the economic cycle.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on the reliability of the provision.

Individual and collective provisioning involves the use of assumptions for estimating the amounts and timing of expected future cash flows. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 14 for details of credit impairment provisions.

Critical judgements in applying the Banking Group's accounting policies

Financial instruments at fair value

The Banking Group's financial instruments measured at fair value are stated in note 1(a)(iii). In estimating fair value the Banking Group uses, wherever possible, quoted market prices in an active market for the financial instrument.

In the event that there is no active market for the instrument, fair value is based on present value estimates or other market accepted valuation techniques. The valuation models incorporate the impact of bid/ask spread, counterparty credit spreads and other factors that would influence the fair value determined by a market participant. The selection of appropriate valuation techniques, methodology and inputs requires judgement. These are reviewed and updated as market practice evolves.

Derivatives and hedging

The Banking Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions.

A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that: (a) exposes the Banking Group to the risk of changes in fair value or future cash flows; and (b) is designated as being hedged.

Judgement is required in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 *Financial Instruments: Recognition and Measurement* does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The Banking Group adopts the hypothetical derivative approach to determine hedge effectiveness in line with current risk management strategies. Hedge ineffectiveness can arise for a number of reasons and whilst a hedge may pass the effectiveness tests above it may not be perfectly effective, leaving some volatility in the income statement.

The majority of outstanding derivative positions are transacted over-the-counter and therefore need to be valued using valuation techniques. Included in the determination of the fair value of derivatives is a credit valuation adjustment (CVA) to reflect the creditworthiness of the counterparty. This is influenced by the mark-to-market of the derivative trades and by the movement in the market cost of credit. Further adjustments are made to account for the funding costs inherent in the derivative. Judgment is required to determine the appropriate cost of funding and the future expected cashflows used in this funding valuation adjustment (FVA).

Goodwill

Refer to Note 18 for details of goodwill held by the Banking Group.

The carrying value of goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable value at the balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment write down.

Goodwill has been allocated for impairment purposes to the cash generating units at which the goodwill is monitored for internal reporting purposes. Impairment testing of purchased goodwill is performed by comparing the recoverable value of each cash generating unit with the current carrying amount of its net assets, including goodwill. Judgement is required in identifying the cash-generating units to which goodwill and other assets are allocated for the purpose of impairment testing.

The recoverable amount is based on value-in-use calculations. These calculations use cash flow projections based on a number of financial budgets within each segment approved by management covering a three year period. Cash flow projections are based on a range of readily available economic assumptions including GDP and CPI. Cash flows beyond the three year period are extrapolated using a 3% growth rate.

These cash flow projections are discounted using a capital asset pricing model. As at 28 February 2013 when the last valuation was prepared, a discount rate of 11.61% was applied to each cash generating unit. The main variables in the calculation of the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the regional banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each segment.

Management believes any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the Banking Group's carrying amount to exceed its recoverable amount.

3. Risk Management Policies

The Banking Group recognises the importance of effective risk management to its business success. Management is committed to achieving strong control and a distinctive risk management capability that enables the Banking Group business units to meet their performance objectives.

The Banking Group approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk management division ("Risk Management") is independent of the business, with clear delegations from the Board, and operates within a comprehensive framework comprising:

- The Board providing leadership, setting risk appetite/strategy and monitoring progress;
- A strong framework for development and maintenance of Banking Group-wide risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- The use of sophisticated risk tools, applications and processes to execute the global risk management strategy across the Banking Group;
- Business unit level accountability, as the "first line of defence", for the management of risks in alignment with the Banking Group's strategy; and
- Independent oversight to ensure business unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The Banking Group manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering the Banking Group's response to emerging risk issues and trends, and that the requisite culture and practices are in place across the Banking Group, are conducted within the Banking Group and also by the Ultimate Parent Bank. The Board has responsibility for reviewing all aspects of risk management.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. The Bank's Risk Committee assists the Board in this function. The role of the Risk Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, compliance, liquidity, product and reputational risk management, and to liaise and consult with the Ultimate Parent Bank Risk Committee as required. Risk Management, via the Chief Risk Officer, coordinates risk management activities directly between Business Unit risk functions and Ultimate Parent Bank Group Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the Ultimate Parent Bank Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

The Banking Group's risk management policies are essentially the same as the Ultimate Parent Bank, but are tailored where required to suit the local New Zealand regulatory and business environment.

The Audit Committee, which is a sub-committee of the Board, has responsibility for ensuring the integrity of the Banking Group's financial controls, reporting systems and internal audit standards. It meets at least four times a year and reports directly to the Board. All members of the Audit Committee are non-executive directors.

Financial risk management

Refer to Note 29 for detailed disclosures on the Banking Group's financial risk management policies.

Operational Risk

Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the Banking Group's reputation.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Risk Management is responsible for establishing the Banking Group's operational risk framework and associated Banking Group-wide policies. Business units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

Notes to the Financial Statements

Business units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Retail and Wholesale Risk Forums. The Bank's Operational Risk Executive Committee ("OREC") undertakes the governance function through the bi-monthly monitoring of operational risk performance across the Banking Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

The Banking Group conducts its business in accordance with all relevant compliance requirements. In order to assist the Banking Group identify, manage, monitor and measure its compliance obligations, the Banking Group has a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with business unit staff ensure the Banking Group operates within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimise material risks to the Banking Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the identification and management of compliance. Risk Management provides policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. The Bank's OREC, the Chief Risk Officer, the Board and the Risk Committee of the Ultimate Parent Bank Board conduct board and executive oversight.

Global Internal Audit

Global Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Global Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor.

The Global Internal Audit Plan is developed utilising a risk based approach and is refreshed on a quarterly basis. The Audit Committee approves the plan, the associated budget and any changes thereto.

All audit activities are conducted in accordance with local and international auditing standards, and the results thereof are reported to the Audit Committee, Risk Committee and management. These results influence the performance assessment of business heads.

Furthermore, Global Internal Audit monitors the remediation of audit issues and highlights the current status of any outstanding audits.

Notes to the Financial Statements

4. Income

$ millions	Note	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Interest income					
Financial assets at fair value through profit or loss					
Trading securities		**418**	446	**418**	446
Due from subsidiaries		**-**	-	**242**	262
		418	446	**660**	708
Financial assets not at fair value through profit or loss					
Liquid assets		**71**	67	**71**	66
Other financial institutions		**26**	38	**27**	32
Available-for-sale assets		**12**	8	**8**	5
Lending on productive loans		**5,359**	5,367	**5,174**	5,178
Lending on impaired assets		**28**	51	**30**	49
Due from subsidiaries		**-**	-	**264**	215
Other		**43**	40	**38**	39
		5,539	5,571	**5,612**	5,584
Total interest income		**5,957**	6,017	**6,272**	6,292
Net trading gains					
Net gain on foreign exchange trading		**154**	144	**153**	142
Net gain / (loss) on trading securities		**(197)**	101	**(197)**	101
Net gain / (loss) on trading derivatives		**206**	(114)	**206**	(114)
Net trading gains		**163**	131	**162**	129
Net funds management and insurance income					
Net funds management income		**124**	115	**34**	27
Net insurance income		**110**	183	**39**	42
Total funds management and insurance income		**234**	298	**73**	69
Other operating income					
Lending and credit facility fee income		**57**	51	**57**	53
Other fee income		**582**	590	**679**	658
Total fee income		**639**	641	**736**	711
Direct fee expense		**(200)**	(186)	**(200)**	(186)
Net fee income		**439**	455	**536**	525
Dividends received		**-**	-	**256**	205
Net loss on financial assets designated at fair value		**-**	-	**-**	(7)
Net gain / (loss) on financial liabilities designated at fair value		**-**	(1)	**-**	1
Net ineffectiveness on qualifying fair value hedges	**11**	**-**	(4)	**-**	(4)
Net gain / (loss) on hedges not qualifying for hedge accounting		**(56)**	7	**(61)**	16
Net cash flow hedge gain transferred to income statement		**21**	12	**21**	12
Net gain on available for sale equity securities transferred to income statement		**-**	83	**-**	87
Gain on sale of subsidiary, associates and joint venture	**16**	**13**	4	**37**	-
Loss on sale of mortgages to NZ Branch		**(14)**	(1)	**(14)**	(1)
Other income		**16**	18	**3**	5
Total other operating income		**419**	573	**778**	839

Notes to the Financial Statements

5. Expenses

$ millions	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Interest expense				
Financial liabilities at fair value through profit or loss				
Commercial paper	**170**	174	**-**	-
Due to subsidiaries	**-**	-	**346**	359
	170	174	**346**	359
Financial liabilities not at fair value through profit or loss				
Other financial institutions	**38**	45	**37**	43
Deposits and other borrowings	**2,239**	2,184	**2,106**	2,040
Due to subsidiaries	**-**	-	**1,273**	1,231
Bonds and notes	**791**	782	**153**	142
Immediate parent company	**19**	7	**19**	7
Loan capital	**79**	134	**79**	134
Other	**8**	9	**8**	8
	3,174	3,161	**3,675**	3,605
Total interest expense	**3,344**	3,335	**4,021**	3,964
Operating expenses				
Personnel costs	**702**	804	**646**	739
Employee entitlements	**71**	77	**66**	72
Pension costs				
- Defined contribution schemes	**34**	35	**33**	34
- Defined benefit schemes	**4**	6	**4**	6
Share-based payments expense	**22**	20	**22**	20
Building occupancy costs	**41**	66	**(14)**	14
Depreciation of premises and equipment	**46**	55	**23**	26
Leasing and rental costs	**84**	85	**11**	14
Related parties (Note 25)	**84**	118	**222**	264
Technology expenses	**114**	144	**97**	128
Impairment of intangibles and other assets	**-**	11	**-**	1
Reversal of impairment of investment in subsidiary	**-**	-	**(181)**	-
Amortisation of software and other intangible assets	**52**	34	**45**	19
Administrative expenses	**188**	204	**176**	193
Other costs	**65**	83	**61**	81
Total operating expenses	**1,507**	1,742	**1,211**	1,611

$ thousands	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Fees paid to principal auditors (KPMG New Zealand)				
Audit or review of financial statements	**2,362**	3,023	**1,468**	1,677
Other services	**582**	573	**48**	89
Total auditors' remuneration	**2,944**	3,596	**1,516**	1,766

It is the Banking Group's policy that, subject to the approval of the Ultimate Parent Bank's Audit Committee, KPMG can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. KPMG may not provide services that are perceived to be in conflict with the role of auditor. Services that are perceived to be in conflict with the role of auditor include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Other services include taxation services and services for the audit or review of financial information other than financial reports including prudential supervision reviews, prospectus reviews and other audits required for local regulatory purposes.

Notes to the Financial Statements

6. Income Tax

	Banking Group		Bank	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**1,866**	1,753	**1,997**	1,567
Prima facie income tax at 28%	**522**	491	**559**	439
Imputed and non-assessable dividends	**(5)**	(6)	**(72)**	(57)
Change in tax provisions	**(10)**	(12)	**(10)**	(12)
Non assessable income and non deductible expenditure	**(16)**	(35)	**(59)**	(17)
Income tax under / (over) provided in prior years	**1**	(10)	**-**	(6)
Total income tax expense	**492**	428	**418**	347
Effective tax rate (%)	**26.4%**	24.4%	**20.9%**	22.1%
Amounts recognised in the income statement				
Current tax	**408**	376	**331**	296
Deferred tax	**84**	52	**87**	51
Total income tax expense recognised in the income statement	**492**	428	**418**	347
Imputation credits available	**1,852**	1,457	**1,725**	1,336

The Bank is a member of an imputation group and can access imputation credits of the imputation group. The imputation credit balance for the Bank is the imputation credit balance of this imputation group. The imputation credit balance for the Banking Group includes the imputation credit balance in relation to both the imputation group and other companies in the the Banking Group that are not in the imputation group. The imputation credit balance available includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

	Banking Group		Bank	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**231**	295	**221**	284
Premises and equipment, software and intangibles	**8**	(2)	**13**	5
Provisions and accruals	**72**	108	**57**	91
Deferred acquisition costs and insurance policy assets	**(108)**	(112)	**-**	-
Financial instruments	**(10)**	(55)	**(10)**	(55)
Carried forward losses	**15**	16	**-**	-
Lease finance	**(179)**	(165)	**(174)**	(158)
Other deferred tax assets and liabilities (including tax provisions)	**10**	8	**21**	18
Net deferred tax assets[1]	**39**	93	**128**	185

[1] Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same income tax authority on either the same taxable entity or different taxable entities within the same taxable group.

Notes to the Financial Statements

7. Segmental Analysis

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

Segmental reporting has been updated to reflect minor changes to the Banking Group's structure. Comparative data has been adjusted to be consistent with the current year's segment definitions.

Retail

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

Commercial

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

Wealth

Wealth includes private banking and investment services provided to high net worth individuals, the ANZ wealth management and OnePath insurance businesses, and other investment products.

Institutional

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

Other

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

Notes to the Financial Statements

Business segment analysis[1]

$ millions	Retail	Commercial	Wealth	Institutional	Other	Total
			Banking Group			
30/09/2013						
External interest income	**1,722**	**3,156**	**88**	**985**	**6**	**5,957**
External interest expense	**(1,056)**	**(607)**	**(200)**	**(420)**	**(1,061)**	**(3,344)**
Net intersegment interest	**173**	**(1,250)**	**148**	**(214)**	**1,143**	**-**
Net interest income	**839**	**1,299**	**36**	**351**	**88**	**2,613**
Other external operating income	**331**	**127**	**157**	**253**	**(52)**	**816**
Share of associates' profit	**-**	**-**	**-**	**-**	**7**	**7**
Operating income	**1,170**	**1,426**	**193**	**604**	**43**	**3,436**
Operating expenses	**650**	**488**	**136**	**199**	**34**	**1,507**
Profit before provision for credit impairment	**520**	**938**	**57**	**405**	**9**	**1,929**
Provision for credit impairment	**55**	**(12)**	**(1)**	**21**	**-**	**63**
Profit before income tax	**465**	**950**	**58**	**384**	**9**	**1,866**
Income tax expense	**130**	**262**	**4**	**103**	**(7)**	**492**
Profit after income tax	**335**	**688**	**54**	**281**	**16**	**1,374**
Other information						
Depreciation and amortisation	**19**	**4**	**4**	**-**	**71**	**98**
Goodwill	**547**	**1,434**	**180**	**1,072**	**-**	**3,233**
Other intangible assets	**27**	**2**	**130**	**-**	**56**	**215**
Investment in associates	**-**	**-**	**-**	**9**	**89**	**98**
Total external assets	**29,385**	**55,455**	**1,864**	**31,616**	**2,118**	**120,438**
Total external liabilities	**32,385**	**20,401**	**4,443**	**28,145**	**23,597**	**108,971**
30/09/2012						
External interest income	1,729	3,201	79	995	13	6,017
External interest expense	(1,033)	(581)	(196)	(419)	(1,106)	(3,335)
Net intersegment interest	126	(1,293)	143	(168)	1,192	-
Net interest income	822	1,327	26	408	99	2,682
Other external operating income	323	124	228	228	99	1,002
Share of associates' profit	-	-	-	-	4	4
Operating income	1,145	1,451	254	636	202	3,688
Operating expenses	670	505	145	200	222	1,742
Profit before provision for credit impairment	475	946	109	436	(20)	1,946
Provision for credit impairment	54	128	1	11	(1)	193
Profit before income tax	421	818	108	425	(19)	1,753
Income tax expense	117	227	18	112	(46)	428
Profit after income tax	304	591	90	313	27	1,325
Other information						
Depreciation and amortisation	19	8	12	-	50	89
Goodwill	547	1,466	180	1,072	-	3,265
Other intangible assets	38	3	136	1	62	240
Investment in associates	-	-	-	12	87	99
Total external assets	28,310	53,648	1,819	36,123	1,656	121,556
Total external liabilities	31,132	19,246	4,530	28,270	27,446	110,624

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

Notes to the Financial Statements

8. Liquid Assets

	Banking Group		Bank	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Cash and balances with central banks	**1,907**	2,177	**1,907**	2,177
Securities purchased under agreement to resell	**55**	325	**55**	325
Money at call	**348**	237	**347**	236
Bills receivable and remittances in transit	**186**	92	**186**	77
Total liquid assets	**2,496**	2,831	**2,495**	2,815

9. Due From Other Financial Institutions

	Banking Group		Bank	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Securities purchased under agreement to resell	**254**	228	**254**	228
Security settlements	**94**	42	**94**	42
Certificates of deposit	**160**	100	**160**	100
Cash collateral given on derivative financial instruments	**1,002**	1,256	**1,002**	1,256
Other	**60**	96	**60**	96
Total due from other financial institutions	**1,570**	1,722	**1,570**	1,722
Fair value of securities purchased under agreements to resell	**255**	229	**255**	229

10. Trading Securities

	Banking Group		Bank	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Government, local body stock and bonds	**5,404**	8,600	**5,403**	8,600
Certificates of deposit	**551**	455	**551**	455
Promissory notes	**36**	41	**36**	41
Other bank bonds	**4,300**	3,202	**4,300**	3,202
Other	**29**	40	**29**	40
Total trading securities	**10,320**	12,338	**10,319**	12,338

Notes to the Financial Statements

11. Derivative Financial Instruments

The use of derivatives and their sale to customers as risk management products is an integral part of the Banking Group's trading activities. Derivatives are also used to manage the Banking Group's own exposure to fluctuations in exchange and interest rates as part of its own asset and liability management activities.

Derivatives are subject to the same types of credit and market risk as other financial instruments and the Banking Group manages these risks in a consistent manner.

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading.

	Banking Group			Bank		
30/09/2013	Notional Principal	Fair values		Notional Principal	Fair values	
$ millions	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives held for trading						
Spot and forward contracts	**54,152**	**568**	**987**	**54,152**	**568**	**987**
Swap agreements	**132,066**	**3,189**	**4,113**	**132,066**	**3,189**	**4,113**
Options purchased	**2,982**	**52**	**-**	**2,982**	**52**	**-**
Options sold	**2,973**	**1**	**70**	**2,973**	**1**	**70**
Foreign exchange derivatives	**192,173**	**3,810**	**5,170**	**192,173**	**3,810**	**5,170**
Forward rate agreements	**15,877**	**-**	**2**	**15,877**	**-**	**2**
Swap agreements	**530,909**	**5,441**	**4,888**	**535,791**	**5,445**	**4,897**
Futures contracts	**24,857**	**2**	**6**	**24,857**	**2**	**6**
Options purchased	**1,098**	**4**	**-**	**1,098**	**4**	**-**
Options sold	**1,010**	**-**	**5**	**1,010**	**-**	**5**
Interest rate derivatives	**573,751**	**5,447**	**4,901**	**578,633**	**5,451**	**4,910**
Commodity derivatives	**366**	**32**	**32**	**366**	**32**	**32**
Total derivatives held for trading	**766,290**	**9,289**	**10,103**	**771,172**	**9,293**	**10,112**
Derivatives in hedging relationships						
Foreign exchange swap agreements	**55**	**2**	**-**	**55**	**2**	**-**
Interest rate swap agreements	**17,056**	**137**	**41**	**17,056**	**137**	**41**
Total fair value hedges	**17,111**	**139**	**41**	**17,111**	**139**	**41**
Interest rate swap agreements	**15,240**	**90**	**99**	**15,240**	**90**	**99**
Total cash flow hedges	**15,240**	**90**	**99**	**15,240**	**90**	**99**
Total derivatives in hedging relationships	**32,351**	**229**	**140**	**32,351**	**229**	**140**
Total derivative financial instruments	**798,641**	**9,518**	**10,243**	**803,523**	**9,522**	**10,252**

Notes to the Financial Statements

30/09/2012 $ millions	Banking Group Notional Principal Amount	Fair values Assets	Liabilities	Bank Notional Principal Amount	Fair values Assets	Liabilities
Derivatives held for trading						
Spot and forward contracts	59,862	647	1,240	59,862	647	1,240
Swap agreements	124,674	2,860	4,278	124,674	2,860	4,278
Options purchased	1,798	22	-	1,798	22	-
Options sold	1,651	1	39	1,651	1	39
Foreign exchange derivatives	187,985	3,530	5,557	187,985	3,530	5,557
Forward rate agreements	46,651	3	2	46,651	3	2
Swap agreements	522,387	8,682	8,147	527,517	8,717	8,147
Futures contracts	29,818	2	4	29,818	2	4
Options purchased	2,237	15	-	2,237	15	-
Options sold	1,833	-	14	1,833	-	14
Interest rate derivatives	602,926	8,702	8,167	608,056	8,737	8,167
Commodity derivatives	281	44	42	281	44	42
Total derivatives held for trading	791,192	12,276	13,766	796,322	12,311	13,766
Derivatives in hedging relationships						
Foreign exchange swap agreements	70	3	-	70	3	-
Interest rate swap agreements	15,752	234	92	15,752	234	92
Total fair value hedges	15,822	237	92	15,822	237	92
Interest rate swap agreements	13,524	240	72	13,524	240	72
Total cash flow hedges	13,524	240	72	13,524	240	72
Total derivatives in hedging relationships	29,346	477	164	29,346	477	164
Total derivative financial instruments	820,538	12,753	13,930	825,668	12,788	13,930

Derivatives held for trading

The held for trading classification includes two categories of derivative instruments: those held as trading positions and those used for the Banking Group's balance sheet risk management.

Trading positions

Trading positions consist of both sales to customers and market making activities. Sales to customers include the structuring and marketing of derivative products to customers which enable them to take or mitigate risks. Market making activities consist of derivatives entered into principally for the purpose of generating profits from short-term fluctuations in price or margins. Positions may be traded actively or held over a period of time to benefit from expected changes in market rates.

Balance sheet risk management

The Banking Group designates certain balance sheet risk management derivatives into hedging relationships in order to minimise income statement volatility. This volatility is created by differences in the timing of recognition of gains and losses between the derivative and the hedged item. Hedge accounting is not applied to all balance sheet risk management positions as some balance sheet risk management derivatives are classified as held for trading.

Derivatives in hedging relationships

Fair value hedges

The Banking Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Gain / (loss) on fair value hedges attributable to the hedged risk

$ millions	Banking Group **30/09/2013**	30/09/2012	Bank **30/09/2013**	30/09/2012
Gain / (loss) arising from fair value hedges:				
- hedged item	**72**	41	**72**	41
- hedging instrument	**(72)**	(45)	**(72)**	(45)
Net ineffectiveness on qualifying fair value hedges	**-**	(4)	**-**	(4)

Notes to the Financial Statements

Cash flow hedges

The Banking Group's cash flow hedges comprise interest rate swaps that are used to protect against exposures to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates or which are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their forecast repricing profile. This forms the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges.

Analysis of the cash flow hedging reserve	**Banking Group**		**Bank**	
	30/09/2013	30/09/2012	**30/09/2013**	30/09/2012
Deferred gain / (loss) attributable to hedges of:				
Variable rate loan assets	**(18)**	208	**(18)**	208
Variable rate liabilities	**15**	(29)	**15**	(29)
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**29**	(38)	**29**	(38)
Total cash flow hedging reserve	**26**	141	**26**	141

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur, which is anticipated to take place over the next 0-10 years (30/09/2012 0-10 years).

12. Available-for-sale Assets

	Banking Group		**Bank**	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Government, local body stock and bonds	**742**	13	742	13
Other debt securities	**38**	41	38	41
Equity securities	**2**	3	-	-
Total available-for-sale assets	**782**	57	**780**	54

13. Net Loans and Advances

		Banking Group		**Bank**	
$ millions	**Note**	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Overdrafts		**1,841**	1,881	**1,841**	1,881
Credit card outstandings		**1,458**	1,395	**1,458**	1,395
Term loans - housing		**49,563**	46,123	**49,563**	46,123
Term loans - non-housing		**37,832**	37,749	**36,098**	35,894
Finance lease receivables		**849**	806	**-**	-
Gross loans and advances		**91,543**	87,954	**88,960**	85,293
Provision for credit impairment	**14**	**(826)**	(1,054)	**(789)**	(1,016)
Unearned finance income		**(278)**	(258)	**-**	-
Fair value hedge adjustment		**(42)**	(2)	**(42)**	(2)
Deferred fee revenue and expenses		**(64)**	(60)	**(56)**	(54)
Capitalised brokerage / mortgage origination fees		**156**	98	**156**	98
Total net loans and advances		**90,489**	86,678	**88,229**	84,319

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of $9,256 million as at 30 September 2013 (30/09/2012 $9,396 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

Notes to the Financial Statements

14. Provision for Credit Impairment

Provision movement analysis

$ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non-retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non-retail exposures	Bank Total
30/09/2013								
New and increased provisions	**87**	**113**	**157**	**357**	**87**	**113**	**149**	**349**
Write-backs	**(75)**	**(30)**	**(104)**	**(209)**	**(75)**	**(30)**	**(101)**	**(206)**
Recoveries of amounts written off previously	**(2)**	**(16)**	**(5)**	**(23)**	**(2)**	**(16)**	**(3)**	**(21)**
Individual provision charge	**10**	**67**	**48**	**125**	**10**	**67**	**45**	**122**
Collective provision credit	**(3)**	**(8)**	**(51)**	**(62)**	**(3)**	**(12)**	**(51)**	**(66)**
Total charge / (credit) to income statement	**7**	**59**	**(3)**	**63**	**7**	**55**	**(6)**	**56**
30/09/2012								
New and increased provisions	110	87	267	464	110	87	254	451
Write-backs	(73)	(15)	(100)	(188)	(73)	(15)	(99)	(187)
Recoveries of amounts written off previously	(1)	(17)	(7)	(25)	(1)	(17)	(5)	(23)
Individual provision charge	36	55	160	251	36	55	150	241
Collective provision credit	(16)	(22)	(20)	(58)	(16)	(23)	(15)	(54)
Total charge to income statement	20	33	140	193	20	32	135	187

Movement in provision for credit impairment

$ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non retail exposures	Bank Total
30/09/2013								
Collective provision								
Balance at beginning of the year	**104**	**125**	**375**	**604**	**104**	**113**	**367**	**584**
Credit to income statement	**(3)**	**(8)**	**(51)**	**(62)**	**(3)**	**(12)**	**(51)**	**(66)**
Balance at end of the year	**101**	**117**	**324**	**542**	**101**	**101**	**316**	**518**
Individual provision								
Balance at beginning of the year	**119**	**26**	**305**	**450**	**119**	**26**	**287**	**432**
New and increased provisions net of write-backs	**12**	**83**	**53**	**148**	**12**	**83**	**48**	**143**
Bad debts written off	**(49)**	**(87)**	**(150)**	**(286)**	**(49)**	**(87)**	**(138)**	**(274)**
Discount unwind[1]	**(8)**	**-**	**(20)**	**(28)**	**(8)**	**-**	**(22)**	**(30)**
Balance at end of the year	**74**	**22**	**188**	**284**	**74**	**22**	**175**	**271**
Total provision for credit impairment	**175**	**139**	**512**	**826**	**175**	**123**	**491**	**789**
30/09/2012								
Collective provision								
Balance at beginning of the year	120	147	395	662	120	136	382	638
Credit to income statement	(16)	(22)	(20)	(58)	(16)	(23)	(15)	(54)
Balance at end of the year	104	125	375	604	104	113	367	584
Individual provision								
Balance at beginning of the year	148	37	309	494	148	37	289	474
New and increased provisions net of write-backs	37	72	167	276	37	72	155	264
Bad debts written off	(55)	(83)	(131)	(269)	(55)	(83)	(119)	(257)
Discount unwind[1]	(11)	-	(40)	(51)	(11)	-	(38)	(49)
Balance at end of the year	119	26	305	450	119	26	287	432
Total provision for credit impairment	223	151	680	1,054	223	139	654	1,016

[1] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds as interest income over the period the asset is held.

Notes to the Financial Statements

15. Impaired Assets

$ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non-retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non-retail exposures	Bank Total
30/09/2013								
Balance at beginning of the year	**313**	**44**	**1,009**	**1,366**	**313**	**44**	**955**	**1,312**
Transfers from productive	**268**	**134**	**401**	**803**	**268**	**134**	**378**	**780**
Transfers to productive	**(91)**	**(5)**	**(194)**	**(290)**	**(91)**	**(5)**	**(189)**	**(285)**
Assets realised or loans repaid	**(262)**	**(37)**	**(400)**	**(699)**	**(262)**	**(37)**	**(364)**	**(663)**
Write offs	**(49)**	**(87)**	**(150)**	**(286)**	**(49)**	**(87)**	**(138)**	**(274)**
Total impaired assets	**179**	**49**	**666**	**894**	**179**	**49**	**642**	**870**
Undrawn facilities with impaired customers	**-**	**1**	**24**	**25**	**-**	**1**	**24**	**25**
30/09/2012								
Balance at beginning of the year	471	61	1,194	1,726	471	61	1,131	1,663
Transfers from productive	285	110	572	967	285	110	550	945
Transfers to productive	(61)	(1)	(111)	(173)	(61)	(1)	(110)	(172)
Assets realised or loans repaid	(327)	(43)	(515)	(885)	(327)	(43)	(497)	(867)
Write offs	(55)	(83)	(131)	(269)	(55)	(83)	(119)	(257)
Total impaired assets	313	44	1,009	1,366	313	44	955	1,312
Undrawn facilities with impaired customers	-	-	24	24	-	-	24	24

Notes to the Financial Statements

16. Investments in Subsidiaries and Associates

	Banking Group		Bank	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Investments in subsidiaries	**-**	-	**4,779**	6,524
Investments in associates	**98**	99	**85**	85
Total investments in subsidiaries and associates	**98**	99	**4,864**	6,609

Subsidiaries	**Ownership interest %**	**Balance date**	**Nature of business**
Members of the Banking Group			
ANZ Capital NZ Limited	100	30 September	Investment
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management
ANZ National Staff Superannuation Limited	100	30 September	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	100	30 September	Finance
ANZ New Zealand Investments Limited [1]	100	30 September	Funds management
ANZ New Zealand Investments Nominees Limited [2]	100	30 September	Nominee
ANZ New Zealand Securities Limited	100	30 September	On-line share broker
ANZ Wealth New Zealand Limited [3]	100	30 September	Holding company
ANZNZ Covered Bond Trust	-	30 September	Securitisation entity
Arawata Assets Limited	100	30 September	Property
Arawata Finance Limited	100	30 September	Investment
Arawata Holdings Limited	100	30 September	Holding company
AUT Investments Limited	100	30 September	Investment
Control Nominees Limited	100	30 September	Non-operating
Direct Nominees Limited	100	30 September	Nominee
Endeavour Finance Limited	100	30 September	Investment
Harcourt Corporation Limited	100	30 September	Investment
Karapiro Investments Limited	100	30 September	Investment
Kingfisher NZ Trust 2008-1	-	30 September	Securitisation entity
Medical Properties Holding Company No.1 Limited	100	30 September	Non-operating
OneAnswer Nominees Limited	100	30 September	Nominee
OnePath Insurance Holdings (NZ) Limited	100	30 September	Holding company
OnePath Insurance Services (NZ) Limited	100	30 September	Insurance
OnePath Life (NZ) Limited	100	30 September	Insurance
Private Nominees Limited	100	30 September	Nominee
Rural Growth Fund Limited	100	30 September	Investment
South Pacific Merchant Finance Limited	100	30 September	Holding company
UDC Finance Limited	100	30 September	Asset finance
Associates			
Cards NZ Limited	19	30 September	Card services
Paymark Limited	25	31 March	EFTPOS settlements
UCG Investments Limited	40	31 March	Rest home operator

[1] Previously known as OnePath (NZ) Limited
[2] Previously known as OnePath Nominees (NZ) Limited
[3] Previously known as OnePath Holdings (NZ) Limited

All subsidiaries and associates are incorporated in New Zealand, unless stated otherwise. The ownership interest percentage equates to the voting power held for all companies. Control of Kingfisher NZ Trust 2008-1 and ANZNZ Covered Bond Trust exists as the Banking Group retains substantially all the risks and rewards of the operations.

Movements in subsidiaries and associates

In December 2012 ANZ Capital NZ Limited sold its interest in Wyma Engineering (NZ) Limited.

In January 2013 NBNZ Holdings Hong Kong Limited was wound up.

In May 2013 the Bank sold its interest in EFTPOS New Zealand Limited. Control Nominees Limited acquired 100% of the share capital and subsequently amalgamated with Origin Mortgage Management Services (2011) Limited.

In July 2013 Silver Fern Life Brokers Limited amalgamated with Alos Holdings Limited.

In August 2013 Alos Holdings Limited amalgamated with National Bank of New Zealand Custodians Limited. Arawata Trust Company, NBNZ Holdings Limited and National Bank of New Zealand Custodians Limited amalgamated with Control Nominees Limited. Arawata Trust was wound up.

These transactions did not have a material impact on the financial statements of the Banking Group.

Notes to the Financial Statements

17. Other Assets

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Accrued interest and prepaid discounts	**367**	356	**454**	433
Accrued commission	**25**	25	**15**	15
Share-based payments asset	**62**	60	**62**	60
Prepaid expenses	**15**	23	**14**	16
Security settlements	**160**	29	**160**	29
Other assets	**102**	99	**55**	58
Total other assets	**731**	592	**760**	611

18. Goodwill and Other Intangible Assets

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Goodwill	**3,233**	3,265	**3,217**	3,217
Software	**84**	103	**82**	100
Other intangibles	**131**	137	**-**	-
	3,448	3,505	**3,299**	3,317

Refer to note 2 for discussion of impairment testing for goodwill.

19. Due to Other Financial Institutions

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Securities sold under agreements to repurchase	**107**	246	**107**	246
Cash collateral received on derivative financial instruments	**438**	257	**438**	257
Other	**972**	1,256	**972**	1,052
Total due to other financial institutions	**1,517**	1,759	**1,517**	1,555

20. Deposits and Other Borrowings

$ millions	Note	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Certificates of deposit		**2,364**	2,156	**2,364**	2,156
Term deposits		**33,862**	33,922	**33,862**	33,922
Demand deposits bearing interest		**29,688**	25,815	**29,688**	25,815
Deposits not bearing interest		**5,526**	4,838	**5,526**	4,838
Secured debenture stock	**30**	**1,492**	1,476	**-**	-
Commercial paper		**4,765**	5,445	**-**	-
Total deposits and other borrowings		**77,697**	73,652	**71,440**	66,731

Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Banking Group. In the unlikely event that the Bank was put into liquidation or ceased to trade, secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

Notes to the Financial Statements

21. Payables and Other Liabilities

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Creditors	**61**	73	**26**	42
Accrued interest and unearned discounts	**456**	542	**367**	429
Defined benefit schemes deficit	**41**	103	**41**	103
Share-based payments liability	**39**	36	**39**	36
Accrued charges	**252**	257	**206**	229
Security settlements and short sales	**218**	290	**218**	276
Life insurance contract liabilities - reinsurance	**100**	107	**-**	-
Other liabilities	**538**	384	**519**	354
Total payables and other liabilities	**1,705**	1,792	**1,416**	1,469

22. Provisions

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Employee entitlements[1]	**120**	135	**116**	130
Restructuring costs and surplus leased space[2]	**22**	111	**9**	109
Non-lending losses, frauds and forgeries	**2**	1	**2**	1
Other[3]	**85**	92	**60**	52
Total provisions	**229**	339	**187**	292

1 The aggregate liability for employee entitlements largely comprises provisions for annual leave and long service leave.
2 Restructuring costs and surplus leased space provisions arise from activities related to material changes in the scope of business undertaken by the Banking Group or the manner in which that business is undertaken and includes termination benefits. Costs relating to on-going activities are not provided for. Provision is made when the Banking Group is demonstrably committed, it is probable that the costs will be incurred, though their timing is uncertain, and the costs can be reliably estimated. The 2012 balance includes provisions related to the New Zealand Simplification programme, including implementation of a core banking system, a single bank brand and an optimised branch network.
3 Other provisions include provisions relating to make-good of leased premises, seismic obligations and the deferred settlement of obligations arising from managed funds.

23. Bonds and notes

$ millions	Note	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Domestic bonds		**2,635**	2,535	**2,635**	2,535
U.S. medium term notes[1]		**4,464**	7,423	**-**	-
Euro medium term notes[1]		**4,349**	4,179	**-**	-
Covered bonds[1]	**36**	**3,925**	2,962	**-**	-
Index linked notes		**84**	81	**84**	81
Total bonds and notes issued		**15,457**	17,180	**2,719**	2,616
Fair value hedge adjustment		**69**	180	**-**	-
Less bonds and notes held by the Bank		**(32)**	(116)	**(32)**	(116)
Total bonds and notes		**15,494**	17,244	**2,687**	2,500

Bonds and notes, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of the Banking Group.

1 These bonds and notes are issued by ANZ New Zealand (Int'l) Limited and are guaranteed by the Bank.

Notes to the Financial Statements

24. Loan Capital

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
NZD 835,000,000 perpetual subordinated bond [1]	**835**	835	**835**	835
AUD 265,740,000 perpetual subordinated floating rate loan [1]	**299**	333	**299**	333
AUD 10,000,000 perpetual subordinated floating rate loan	**11**	-	**11**	-
Total loan capital issued	**1,145**	1,168	**1,145**	1,168
Less loan capital instruments held by the Bank	**(1)**	-	**(1)**	-
Total loan capital	**1,144**	1,168	**1,144**	1,168

[1] These instruments qualify as tier two capital under RBNZ's transitional rules. Refer to Note 28 for further details.

Loan capital is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank.

Loan capital instruments are classified as debt reflecting an assessment of the key terms and conditions of the instruments, and an assessment of the ability, and likelihood of interest payments being deferred. Certain of these instruments have interrelationships that have been considered in this assessment.

NZD 835,000,000 bond

This bond was issued by the Bank on 18 April 2008. The Bank did not elect to redeem the bond on 18 April 2013 (the "First Call Date"). The Bank may elect to redeem the bond on 18 April 2018 (the "Second Call Date") or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, up to and including the Second Call Date and then quarterly thereafter. Should the bond not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 30 September 2013, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond was 9.66% until 18 April 2013 when it reset to 5.28% for the five year period to 18 April 2018.

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

AUD 265,740,000 loan

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

AUD 10,000,000 loan

This loan was drawn down by the Bank on 27 March 2013 and has no fixed maturity. Interest is payable half yearly in arrears on 15 March and 15 September each year. The bank may repay the loan on any interest payment date after both the NZD 835,000,000 bond and AUD 265,740,000 loan have been repaid in full.

Coupon interest is BBSW + 2.4% p.a., increasing to BBSW + 4.4% p.a. from 15 September 2018.

25. Related Party Transactions

Key management personnel

Key management personnel are defined as the Directors and senior management of the Banking Group - those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The information above includes transactions with those individuals, their close family members and their subsidiaries.

Loans made to and deposits held by key management personnel are made in the course of ordinary business on normal commercial terms and conditions no more favourable than those given to other employees or customers. Loans are on terms of repayment that range between fixed, variable and interest only, all of which have been made in accordance with the Bank's lending policies.

All transactions with key management personnel (including personally related parties) are conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions principally consist of the provision of financial and investment services.

Notes to the Financial Statements

$ thousands	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Key management personnel compensation				
Salaries and short-term employee benefits	**13,210**	12,198	**13,210**	11,605
Post-employment benefits	**258**	201	**258**	201
Other long-term benefits	**76**	87	**76**	87
Termination benefits	**123**	-	**123**	-
Share-based payments expense	**5,693**	4,537	**5,693**	4,537
Total compensation of key management personnel	**19,360**	17,023	**19,360**	16,430
Loans to and deposits held by key management personnel				
Loans to key management personnel	**5,741**	2,726	**5,741**	2,726
Deposits from key management personnel	**8,001**	7,055	**8,001**	7,055

Transactions with other related parties

The Bank and Banking Group undertake transactions with the Immediate Parent Company, Ultimate Parent Bank, other members of the Overseas Banking Group, associates and joint ventures.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to Banking Group employees. Transactions with related parties outside of the Banking Group are conducted on an arm's length basis and on normal commercial terms.

In addition the Bank undertakes similar transactions with subsidiaries, which are eliminated in the consolidated Banking Group financial statements. Included within the Bank's transactions with subsidiaries is the provision of administrative functions to some subsidiaries for which no payments have been made.

Transactions with related parties $ millions	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Interest income				
Received from subsidiaries	**-**	-	**506**	477
Received from the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**2**	5	**2**	5
Interest expense				
Paid to the Immediate Parent Company	**19**	7	**19**	7
Paid to subsidiaries	**-**	-	**1,619**	1,590
Paid to the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**97**	58	**77**	28
Paid to associates	**2**	2	**2**	2
Other operating income				
Fees received from the NZ Branch	**25**	26	**25**	26
Fees & commission received from subsidiaries	**-**	-	**28**	70
Dividends received from subsidiaries	**-**	-	**252**	201
Dividends received from associates	**-**	-	**4**	4
Received from the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**16**	51	**16**	51
Loss on sale of mortgages to the NZ Branch	**(14)**	(1)	**(14)**	(1)
Share of associates' profit	**7**	4	**-**	-
Operating expenses				
Paid to subsidiaries	**-**	-	**139**	146
Paid to the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**84**	118	**83**	118
Other transactions				
Repayments of share capital received from subsidiaries	**-**	-	**1,907**	-
Preference shares issued to immediate parent	**300**	-	**300**	-
Mortgages sold to the NZ Branch	**3,144**	2,397	**3,144**	2,397

Notes to the Financial Statements

Balances with related parties

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Liquid Assets				
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**22**	85	**22**	85
Due from other financial institutions				
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**95**	179	**95**	179
Derivative financial assets				
Due from NZ Branch	**30**	54	**30**	54
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**1,881**	2,561	**1,881**	2,561
Due from Immediate Parent Company	**2**	88	**2**	88
Due from subsidiaries	**-**	-	**4**	35
Net loans and advances				
Due from associates	**-**	4	**-**	4
Due from subsidiaries	**-**	-	**12,206**	11,619
Shares in subsidiaries and associates	**98**	99	**4,864**	6,609
Other assets				
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**65**	61	**65**	61
Total due from related parties	**2,193**	3,131	**19,169**	21,295
Due to other financial institutions				
Due to NZ Branch	**18**	20	**18**	20
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**37**	205	**-**	1
Deposits and other borrowings				
Due to associates	**85**	85	**85**	85
Due to subsidiaries	**-**	-	**33,768**	37,940
Due to Immediate Parent Company	**939**	740	**939**	740
Derivative financial liabilities				
Due to NZ Branch	**12**	13	**12**	13
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**2,142**	3,037	**2,142**	3,037
Due to Immediate Parent Company	**14**	-	**14**	-
Due to subsidiaries	**-**	-	**9**	-
Payables and other liabilities				
Due to NZ Branch	**296**	284	**296**	284
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**11**	15	**9**	14
Due to Immediate Parent Company	**1**	1	**1**	1
Bonds and notes				
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**1,267**	1,257	**-**	-
Loan capital				
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**310**	333	**310**	333
Total due to related parties	**5,132**	5,990	**37,603**	42,468

Balances due from / to related parties are unsecured other than that the Banking Group and the Bank have provided guarantees and commitments to related parties as follows:

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Bonds and notes issued by ANZ New Zealand (Int'l) Limited to subsidiaries of the Ultimate Parent Bank not part of ANZ New Zealand and guaranteed by the Bank	**-**	-	**1,267**	1,257
Financial guarantees provided to the Ultimate Parent Bank	**181**	256	**181**	256
Undrawn credit commitments provided to the Immediate Parent Company	**250**	250	**250**	250
Undrawn credit commitments provided to subsidiaries	**-**	-	**2,566**	643

Notes to the Financial Statements

26. Current and Non-current Assets and Liabilities

	Banking Group				Bank			
$ millions	**30/09/2013**		30/09/2012		**30/09/2013**		30/09/2012	
	Current	**Non-current**	Current	Non-current	**Current**	**Non-current**	Current	Non-current
Assets								
Liquid assets	**2,496**	**-**	2,831	-	**2,495**	**-**	2,815	-
Due from other financial institutions	**1,570**	**-**	1,722	-	**1,570**	**-**	1,666	-
Trading securities	**10,320**	**-**	12,338	-	**10,319**	**-**	12,338	-
Derivative financial instruments	**9,518**	**-**	12,753	-	**9,522**	**-**	12,788	-
Current tax assets	**-**	**-**	15	-	**62**	**-**	79	-
Available-for-sale assets	**407**	**375**	16	41	**405**	**375**	13	41
Net loans and advances	**28,878**	**61,611**	27,980	58,698	**27,984**	**60,245**	26,932	57,387
Due from subsidiaries	**-**	**-**	-	-	**2,523**	**9,683**	3,507	8,168
Investments backing insurance policy liabilities	**169**	**3**	140	2	**-**	**-**	-	-
Insurance policy assets	**-**	**399**	-	408	**-**	**-**	-	-
Investments in subsidiaries and associates	**-**	**98**	-	99	**-**	**4,864**	-	6,609
Other assets	**669**	**62**	532	60	**698**	**62**	551	60
Deferred tax assets	**-**	**39**	-	93	**-**	**128**	-	185
Premises and equipment	**-**	**376**	-	323	**-**	**61**	-	74
Goodwill and other intangible assets	**-**	**3,448**	-	3,505	**-**	**3,299**	-	3,317
Total assets	**54,027**	**66,411**	58,327	63,229	**55,578**	**78,717**	60,689	75,841
Liabilities								
Due to other financial institutions	**1,517**	**-**	1,605	154	**1,517**	**-**	1,401	154
Deposits and other borrowings	**75,143**	**2,554**	70,793	2,859	**69,211**	**2,229**	64,124	2,607
Due to subsidiaries	**-**	**-**	-	-	**9,227**	**24,541**	14,943	22,997
Due to the Immediate Parent Company	**939**	**-**	740	-	**939**	**-**	740	-
Derivative financial instruments	**10,243**	**-**	13,930	-	**10,252**	**-**	13,930	-
Payables and other liabilities	**1,625**	**80**	1,546	246	**1,336**	**80**	1,330	139
Current tax liabilities	**3**	**-**	-	-	**-**	**-**	-	-
Provisions	**137**	**92**	240	99	**99**	**88**	196	96
Bonds and notes	**3,338**	**12,156**	4,043	13,201	**402**	**2,285**	100	2,400
Loan capital	**-**	**1,144**	-	1,168	**-**	**1,144**	-	1,168
Total liabilities	**92,945**	**16,026**	92,897	17,727	**92,983**	**30,367**	96,764	29,561

Assets and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

Non-current assets include premises and equipment and intangible assets as well as financial assets of a long-term nature. Non-current liabilities include financial and non-financial liabilities which are expected to be settled after twelve months from balance date.

For the purposes of this disclosure, the fair value of both trading and hedging derivatives has been classified as current. For more information on the contractual timing of expected outflows and inflows in relation to hedging derivatives refer to Note 29.

Notes to the Financial Statements

27. Share Capital

	Banking Group		Bank	
Number of issued shares	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Ordinary shares				
Ordinary shares at beginning and end of the year	**1,700,755,498**	1,700,755,498	**1,700,755,498**	1,700,755,498
Preference shares				
At beginning of the year	**-**	-	**-**	-
Issued on 25 September 2013	**300,000,000**	-	**300,000,000**	-
Preference shares at end of the year	**300,000,000**	-	**300,000,000**	-
Total number of issued shares	**2,000,755,498**	1,700,755,498	**2,000,755,498**	1,700,755,498

$ millions				
Ordinary shares				
Ordinary shares fully paid at beginning and end of the year	**6,943**	6,943	**6,943**	6,943
Preference shares				
At beginning of the year	**-**	-	**-**	-
Issued on 25 September 2013	**300**	-	**300**	-
Preference share capital at end of the year	**300**	-	**300**	-
Total paid in share capital	**7,243**	6,943	**7,243**	6,943

Ordinary shares

650,712 of the ordinary shares are uncalled (30/09/2012 650,712 shares uncalled).

During the year ended 30 September 2013 the Bank paid ordinary dividends of $1,065 million to the Immediate Parent Company (equivalent to $0.63 per share) (30/09/2012 the Bank paid ordinary dividends of $1,150 million to the Immediate Parent Company (equivalent to $0.68 per share)). There were no changes to ordinary share capital during the year ended 30 September 2013 (30/09/2012 $nil).

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

Preference shares

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

Dividends

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

Should the Bank elect to pay a dividend, the dividend is payable at 72% of BKBM + 3.25% p.a., with dividend payments due on 1 March and 1 September each year, beginning on 1 March 2014.

Redemption features

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

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

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

Rights of holders in event of liquidation

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

The preference shares qualify as “additional tier one capital” for capital adequacy purposes.

Notes to the Financial Statements

28. Capital Adequacy

Capital management policies

The Banking Group's core capital objectives are to:

- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Banking Group's capital position; and
- Ensure that the capital base supports the Banking Group's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group's Internal Capital Adequacy Assessment Process ("ICAAP") policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal economic risk capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for common equity tier one, tier one and total capital that ensure sufficient capital is maintained to:

- Meet minimum prudential requirements imposed by regulators;
- Ensure consistency with the Banking Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Support the economic risk capital requirements of the business.

The Banking Group's Asset & Liability Committee and its related Capital Management Forum are responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group's ICAAP is subject to independent and periodic review conducted by Internal Audit.

The Banking Group has complied with all externally imposed capital requirements to which it is subject during the current and comparative periods.

Adoption of Basel III capital framework

Effective 1 January 2013, RBNZ and APRA have adopted the majority of Basel III capital reforms in New Zealand and Australia respectively. The Basel III reforms include: increased capital deductions from common equity tier one capital, an increase in capitalisation rates (including prescribed minimum capital buffers, fully effective 1 January 2014 in New Zealand and 1 January 2016 in Australia), tighter requirements around new tier one and tier two securities and transitional arrangements for existing tier one and tier two securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions.

Capital ratios (unaudited)

	Banking Group		Bank	
	30/09/2013	30/09/2012	**30/09/2013**	30/09/2012
	Basel III	Basel II	**Basel III**	Basel I
Common equity tier one capital	**10.4%**	n/a	**9.2%**	n/a
Tier one capital	**10.8%**	10.8%	**9.7%**	9.5%
Total capital	**12.4%**	12.5%	**11.3%**	10.3%
Buffer ratio	**4.4%**	n/a		
RBNZ minimum ratios:				
Common equity tier one capital	**4.5%**	n/a		
Tier one capital	**6.0%**	4.0%		
Total capital	**8.0%**	8.0%		

Notes to the Financial Statements

Capital of the Banking Group

$ millions	Unaudited 30/09/2013
Tier one capital	
Common equity tier one capital	
Paid up ordinary shares issued by the Bank	6,943
Retained earnings (net of appropriations)	4,200
Accumulated other comprehensive income and other disclosed reserves	24
Less deductions from common equity tier one capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,448)
Deferred tax assets less deferred tax liabilities relating to temporary differences	(97)
Cash flow hedge reserve	(26)
Expected losses to extent greater than total eligible allowances for impairment	(73)
Common equity tier one capital	7,523
Additional tier one capital - preference shares	300
Total tier one capital	7,823
Tier two capital	
NZD 835,000,000 perpetual subordinated bond	835
AUD 265,740,000 perpetual subordinated loan	299
Total tier two capital	1,134
Total capital	8,957

Tier two capital instruments

The amount of the tier two loan capital instruments eligible to be included in regulatory capital will reduce by 20% per year from 1 January 2014 and will not be included in regulatory capital from 1 January 2018.

Capital requirements of the Banking Group (unaudited)

$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
Exposures subject to internal ratings based approach	125,679	52,919	4,233
Specialised lending exposures subject to slotting approach	7,868	7,531	603
Exposures subject to standardised approach	1,208	301	23
Equity exposures	99	418	33
Other exposures	3,056	1,218	97
Total credit risk	137,910	62,387	4,989
Operational risk	n/a	5,526	442
Market risk	n/a	4,280	342
Total	137,910	72,193	5,773

[1] Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

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

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

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

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

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

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

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

The exceptions to IRB treatment are three minor portfolios where determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document entitled 'Capital Adequacy Framework (Standardised Approach)' ("BS2A"), dated September 2013.

Classification of Banking Group exposures according to rating approach

Internal ratings based approach

IRB Asset Class	Borrower Type	Rating Approach
Sovereign	Crown	IRB - Advanced
	RBNZ	IRB - Advanced
	Any other sovereign and its central bank	IRB - Advanced
Bank	Registered banks	IRB - Advanced
Corporate	Corporation, partnerships or proprietorships that do not fit any other asset classification	IRB - Advanced
	Corporate Small to Medium Enterprises ("SME") with turnover of less than $50 million	IRB - Advanced
Retail Mortgages	Individuals' borrowings against residential property	IRB - Advanced
Other Retail	Other lending to individuals (including credit cards)	IRB - Advanced
	SME business borrowers	IRB - Advanced
Corporate sub-class - Specialised lending	Project finance	IRB - Slotting
	Income producing real estate	IRB - Slotting
Equity		IRB
Other assets	All other assets not falling within any of the above classes	IRB

Standardised approach

Exposure class	Exposure Type	Reason for Standardised Approach	Future Treatment
Corporate	Merchant card prepayment exposures	System constraints	Move to IRB
	Corporate credit cards	System constraints	Move to IRB
	Qualifying Central Counterparty (QCCP)	Required by Basel III	Standardised

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Controls surrounding credit risk rating systems

The term "Rating Systems" covers all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

All material aspects of the Rating Systems and risk estimate processes are governed by the Banking Group's Risk Committee. Risk grades are an integral part of reporting to senior management and executives. Management and staff of credit risk functions, in conjunction with the relevant Retail and Wholesale Risk Committees, regularly assess the performance of the rating systems, identify any areas for improvement and monitor progress on previously identified development work needed.

The Banking Group's Rating Systems are governed by a comprehensive framework of controls that operate at the business unit and support centres, and through central audit and validation processes. All policies, model designs, model reviews, methodologies, validations, responsibilities, systems and processes supporting the ratings systems are fully documented.

The Banking Group's Retail and Wholesale ratings functions work closely with the Ultimate Parent Bank's risk ratings functions, are independent of operational lending activities and are responsible for the ratings strategies and ongoing management of credit risk models within New Zealand. The annual review of models used across the Banking Group is a function undertaken by the ANZ Decision Model Validation Unit, which is also independent of credit risk operational functions and is responsible for overseeing the design, implementation and performance of all rating models in the Banking Group.

The target approach to modelling for the Banking Group is to deploy the model most suitable for the environment. At present this involves an approach to modelling that combines models developed in New Zealand and models developed by the Ultimate Parent Bank, tested and validated for use in New Zealand, as appropriate.

Capital requirements by asset class under the IRB approach

Banking Group **As at 30/09/2013 (Unaudited)**	**Total exposure or principal amount** **$m**	**Exposure at default** **$m**	**Exposure-weighted LGD used for the capital calculation** **%**	**Exposure-weighted risk weight** **%**	**Risk weighted exposure** **$m**	**Total capital requirement** **$m**
On-balance sheet exposures						
Corporate	**32,267**	**32,475**	**35**	**58**	**19,884**	**1,591**
Sovereign	**8,750**	**8,665**	**5**	**1**	**88**	**6**
Bank	**3,742**	**3,514**	**59**	**25**	**915**	**73**
Retail mortgages	**47,382**	**47,617**	**22**	**29**	**14,886**	**1,191**
Other retail	**4,466**	**4,573**	**64**	**82**	**3,981**	**319**
Total on-balance sheet exposures	**96,607**	**96,844**	**28**	**39**	**39,754**	**3,180**
Off-balance sheet exposures						
Corporate	**12,393**	**9,337**	**52**	**50**	**4,948**	**396**
Sovereign	**67**	**36**	**5**	**1**	**-**	**-**
Bank	**1,277**	**1,091**	**50**	**18**	**212**	**17**
Retail mortgages	**5,648**	**5,938**	**18**	**17**	**1,075**	**86**
Other retail	**4,962**	**4,776**	**75**	**51**	**2,596**	**207**
Total off-balance sheet exposures	**24,347**	**21,178**	**47**	**39**	**8,831**	**706**
Market related contracts						
Corporate	**75,161**	**2,031**	**60**	**88**	**1,888**	**151**
Sovereign	**11,960**	**359**	**5**	**2**	**6**	**1**
Bank	**633,565**	**5,267**	**64**	**44**	**2,440**	**195**
Total market related contracts	**720,686**	**7,657**	**60**	**53**	**4,334**	**347**
Total credit risk exposures subject to the IRB approach	**841,640**	**125,679**	**33**	**40**	**52,919**	**4,233**

Notes to the Financial Statements

IRB exposures by customer credit rating

Banking Group **As at 30/09/2013 (Unaudited)**	**Probability of default** **%**	**Exposure at default** **$m**	**Exposure-weighted LGD used for the capital calculation** **%**	**Exposure-weighted risk weight** **%**	**Risk weighted exposure** **$m**	**Total capital requirement** **$m**
Corporate						
0 - 2	**0.05**	**4,656**	**63**	**35**	**1,725**	**138**
3 - 4	**0.30**	**22,889**	**37**	**40**	**9,727**	**778**
5	**1.00**	**9,602**	**36**	**65**	**6,596**	**528**
6	**2.23**	**4,099**	**39**	**87**	**3,772**	**302**
7 - 8	**7.40**	**1,713**	**43**	**148**	**2,689**	**215**
Default	**100.00**	**884**	**44**	**236**	**2,211**	**177**
Total corporate exposures	**2.89**	**43,843**	**40**	**57**	**26,720**	**2,138**
Sovereign						
0	**0.01**	**8,939**	**5**	**1**	**91**	**7**
1 - 8	**0.01**	**121**	**5**	**2**	**3**	**-**
Total sovereign exposures	**0.01**	**9,060**	**5**	**1**	**94**	**7**
Bank						
0	**0.03**	**3,947**	**65**	**32**	**1,330**	**106**
1	**0.03**	**5,241**	**58**	**34**	**1,909**	**153**
2 - 4	**0.16**	**674**	**59**	**44**	**314**	**25**
5 - 8	**1.45**	**10**	**65**	**121**	**14**	**1**
Total bank exposures	**0.04**	**9,872**	**61**	**34**	**3,567**	**285**
Retail mortgages						
0 - 3	**0.20**	**11,193**	**12**	**5**	**573**	**46**
4	**0.46**	**17,412**	**19**	**15**	**2,807**	**225**
5	**0.93**	**18,375**	**27**	**37**	**7,173**	**574**
6	**2.11**	**5,456**	**30**	**75**	**4,318**	**345**
7 - 8	**5.40**	**616**	**31**	**123**	**801**	**64**
Default	**100.00**	**503**	**28**	**54**	**289**	**23**
Total retail mortgages exposures	**1.73**	**53,555**	**21**	**28**	**15,961**	**1,277**
Other retail						
0 - 2	**0.10**	**673**	**77**	**48**	**344**	**27**
3 - 4	**0.29**	**4,466**	**72**	**51**	**2,415**	**193**
5	**1.12**	**1,446**	**62**	**65**	**992**	**79**
6	**2.67**	**1,659**	**66**	**85**	**1,491**	**119**
7 - 8	**11.25**	**991**	**72**	**112**	**1,177**	**94**
Default	**100.00**	**114**	**70**	**131**	**158**	**14**
Total other retail exposures	**3.20**	**9,349**	**70**	**66**	**6,577**	**526**
Total credit risk exposures subject to the IRB approach	**1.99**	**125,679**	**33**	**40**	**52,919**	**4,233**

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

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Banking Group **As at 30/09/2013 (Unaudited)**	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	2,145	70	1,591	127
Good	3,742	90	3,570	286
Satisfactory	789	115	962	77
Weak	222	250	589	48
Default	159	-	-	-
Total on-balance sheet exposures	7,057	90	6,712	538

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	939	680	90	650	52
Market related contracts	1,590	131	121	169	13
Total off-balance sheet exposures	2,529	811	95	819	65

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

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

Credit risk exposures subject to the standardised approach

Banking Group **As at 30/09/2013 (Unaudited)**	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	53	100	56	4
Default	1	150	1	-
Total on-balance sheet exposures	54	101	57	4

	Exposure amount $m	Average credit conversion factor %	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	493	47	233	87	216	17
Market related contracts	76,776	1	921	3	28	2
Total off balance sheet	77,269	n/a	1,154	20	244	19

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

Equity exposures

Banking Group **As at 30/09/2013 (Unaudited)**	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All equity holdings not deducted from capital	99	400	418	33

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

Banking Group As at 30/09/2013 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash	198	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,709	-	-	-
Other assets	1,149	100	1,218	97
Total other IRB credit risk exposures	3,056	38	1,218	97

Other exposures have been calculated in accordance with BS2B.

Credit risk mitigation

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

As at 30 September 2013, under the IRB approach, the Banking Group had $1,917 million of Corporate exposures covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Operational risk

The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with BS2B. As at 30 September 2013 the Banking Group had an implied risk weighted exposure of $5,526 million for operational risk and an operational risk capital requirement of $442 million.

Operational risk capital is modelled at a New Zealand geographic level and then distributed and adjusted for the business environment and internal controls down to the business units using the Risk Scenario Methodology. This methodology ensures that there is sufficient operational risk capital held as a buffer for rare and severe unexpected operational loss events that may impact the New Zealand business. The Methodology applies a combination of expert judgement, business unit risk profiles, audit findings, and internal and external loss events to derive a series of business specific Risk Scenarios that are applied to the capital model. The Risk Scenario approach:

- Assesses the level of the Bank's exposure to specified risk scenarios;
- Assesses the scope and quality of the Bank's internal control environment, key operational processes and risk mitigants; and
- Directly links the risk scenarios to operational risk capital.

The Banking Group's operating risk capital is calculated using the Ultimate Parent Bank’s methodology, but with standalone New Zealand inputs to ensure there are no diversification benefits.

The Banking Group does not incorporate any insurance mitigation impact into its capital number. Accordingly, there are no insurance related questions contained within the Risk Scenario Methodology.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BS2B. The peak end-of-day market risk exposures are for the half-year ended 30 September 2013.

Banking Group 30/09/2013 (Unaudited)	Implied risk weighted exposure Period end $m	 Peak $m	Aggregate capital charge Period end $m	 Peak $m	Peak occurred on
Interest rate risk	4,241	5,346	339	428	1/07/2013
Foreign currency risk	37	98	3	8	16/08/2013
Equity risk	2	2	-	-	1/04/2013
	4,280		342		

Notes to the Financial Statements

Pillar II capital for other material risks

The Banking Group's ICAAP complies with the requirements of the Bank's Conditions of Registration. It identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier one and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is $365 million (30/09/2012: $338 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating to fixed asset risk and business risk) were applied in November 2012 and the prior period restated accordingly.

Capital adequacy of the Ultimate Parent Bank

	Overseas Banking Group		**Ultimate Parent Bank (Extended Licensed Entity)**	
	30/09/2013	30/09/2012	**30/09/2013**	30/09/2012
	Basel III	Basel III	**Basel III**	Basel II
Common equity tier one capital	**8.5%**	8.0%	**8.5%**	n/a
Tier one capital	**10.4%**	9.7%	**10.6%**	11.4%
Total capital	**12.2%**	11.7%	**12.5%**	12.7%

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

Under prudential regulations, the Overseas Banking Group is required to maintain Prudential Capital Requirements ("PCRs"), which are at least equal to that specified under Basel III (previously Basel II), as determined by APRA. The Overseas Banking Group exceeded the PCRs set by APRA as at 30 September 2013 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2013. The Overseas Banking Group's Pillar 3 disclosure document for the year ended 30 September 2013, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Retail mortgages by loan-to-valuation ratio ("LVR")

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

Unaudited 30/09/2013 $ millions	**On-balance sheet**	**Off-balance sheet**	**Total**
LVR range			
0% - 59%	**16,745**	**3,059**	**19,804**
60% - 69%	**7,973**	**775**	**8,748**
70% - 79%	**11,974**	**970**	**12,944**
Less than 80%	**36,692**	**4,804**	**41,496**
80% - 89%	**6,751**	**480**	**7,231**
Over 90%	**3,939**	**364**	**4,303**
Total	**47,382**	**5,648**	**53,030**

Reconciliation of mortgage related amounts

$ millions	**Note**	**Banking Group Unaudited 30/09/2013**
Term loans - housing	**13**	**49,563**
Plus: short-term housing loans classified as overdrafts		**499**
Less: housing loans made to corporate customers		**(2,716)**
Gross retail mortgage loans	**29**	**47,346**
Plus: Unsettled re-purchases of mortgages from the NZ Branch		**36**
On-balance sheet retail mortgage exposures subject to the IRB approach	**28**	**47,382**
Plus: off-balance sheet retail mortgage exposures subject to the IRB approach		**5,648**
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)	**28**	**53,030**

Notes to the Financial Statements

29. Financial Risk Management

Strategy in using financial instruments

Financial instruments are fundamental to the Banking Group's business, constituting the core element of its operations. Accordingly, the risks associated with financial instruments are a significant component of the risks faced by the Banking Group. Financial instruments create, modify or reduce the credit, market and liquidity risks of the Banking Group's balance sheet. The Banking Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Banking Group.

The risk management and policy control framework applicable to the entities comprising the Banking Group has been set by the Board and Risk Committee of the Bank or the Ultimate Parent Bank, as appropriate. Likewise oversight and monitoring of material risk exposures of the Banking Group is undertaken by the Risk Management functions of the Bank and also the Ultimate Parent Bank. Throughout this document, references to the Risk Management of the operations within the entities comprising the Banking Group, implicitly involves oversight by both related entities.

Credit risk

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations. The Banking Group assumes credit risk in a wide range of lending and other activities in diverse markets and many jurisdictions. Credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities around the world.

The Banking Group has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of the Banking Group are set by the Board and are implemented and monitored within a tiered structure of delegated authority, designed to oversee multiple facets of credit risk, including business writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations.

Credit risk management

A credit risk management framework is in place across the Banking Group with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by the Board. The framework focuses on policies, people, skills, controls, risk concentrations and portfolio balance. It is supported by portfolio analysis and business-writing strategies, which guide lending decisions and identify segments of the portfolio requiring attention. The effectiveness of the framework is monitored through a series of compliance and reporting processes.

An independent Risk Management function is staffed by risk specialists. In regard to credit risk management, the objective is for Risk Management to provide robust credit policies, to make independent credit decisions, and to provide strong support to front line staff in the application of sound credit practices. In addition to providing independent credit assessment on lending decisions, Risk Management also performs key roles in portfolio management by development and validation of credit risk measurement systems, loan asset quality reporting, and development of credit standards and policies.

The credit risk management framework is top down. The framework is defined by the Banking Group's credit principles and policies. The effectiveness of the credit risk management framework is validated through the compliance and monitoring processes.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support the business units. All major business unit credit decisions require approval from both business writers and independent risk personnel.

Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent upon the level of risk. Credit risk policy and management is executed through the Chief Risk Officer, who is responsible for various dedicated areas within the Risk Management division. Wholesale Risk services the Banking Group's commercial, investment banking and rural lending activities through dedicated teams. Retail Risk services the Banking Group's small business and consumer customers. The Credit Reporting team within Risk Management provides an independent overview of credit risk across the Bank at a portfolio level. The Banking Group allows sole discretion for transaction approvals at the business unit level in both the retail and wholesale lending sectors, with larger transactions approved by Retail Risk and Wholesale Risk.

The credit risk review function within Global Internal Audit also provides a further independent check mechanism to ensure the quality of credit decisions. This includes providing independent periodic checks on asset quality and compliance with the agreed standards and policies across the Banking Group.

Country risk management

Some customer credit risks involve country risk, whereby actions or events at a national or international level could disrupt servicing of commitments. Country risk arises when payment or discharge of an obligation will, or could, involve the flow of funds from one country to another or involve transactions in a currency other than the domestic currency of the relevant country.

Country ratings are assigned to each country where the Banking Group incurs country risk and have a direct bearing on the Banking Group's risk appetite for each country. The country rating is determined through a defined methodology based around external ratings agencies' ratings and internal specialist opinion. It is also a key risk consideration in the Banking Group's capital pricing model for cross border flows.

The recording of country limits provides the Banking Group with a means to identify and control country risk. Country limits ensure that there is a country-by-country ceiling on exposures that involve country risk. They are recorded by time to maturity and purpose of exposure, e.g., trade, markets and project finance. Country limits are managed centrally by the Ultimate Parent Bank, through a global country risk exposure management system managed by a specialist unit within Institutional Risk.

Portfolio stress testing

Stress testing is integral to strengthening the predictive approach to Risk Management and is a key component to managing risk appetite and business writing strategies. It creates greater understanding of impacts on financial performance through modelling relationships and sensitivities between geographic, industry and business unit exposures under a range of macro economic scenarios.

Notes to the Financial Statements

The Ultimate Parent Bank has a dedicated stress testing team that assists business and risk executives in the Banking Group to model and report periodically to management and the Board Risk Committee on a range of scenarios and stress tests.

Portfolio analysis and reporting

Credit portfolios are actively monitored at each layer of the risk structure to ensure credit deterioration is quickly detected and mitigated through the implementation of remediation strategies.

Businesses incurring credit risk undertake regular and comprehensive analysis of their credit portfolios. Issue identification and adherence to performance benchmarks are reported to Risk Management and business executives through a series of reports including monthly 'asset quality' reporting. This process is undertaken by or overseen by Risk Management ensuring an efficient and independent conduit exists to identify and communicate emerging credit issues to Banking Group executives and the Board.

Collateral management

Banking Group credit principles specify lending only what the counterparty has the capacity and ability to repay and the Banking Group sets limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (i.e., interest and capital repayments). Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. Banking Group policy sets out the types of acceptable collateral, including:

- Cash;
- Mortgages over property;
- Charges over business assets, e.g., premises, stock and debtors;
- Charges over financial instruments, e.g., debt securities and equities in support of trading facilities; and
- Financial guarantees.

In the event of customer default, any loan security is usually held as mortgagee in possession while action is taken to realise it. Therefore the Banking Group does not usually hold any real estate or other assets acquired through the enforcement of security.

The Banking Group uses ISDA Master Agreements to document derivatives' activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default occurs, all contracts with the counterparty are terminated and settled on a net basis. Further, it is the Banking Group's preferred practice to include all products covered by the ISDA in the Credit Support Annex ("CSA") in order to achieve further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate mark-to-market (positive or negative) of derivative trades between the two entities, to mitigate the market contingent counterparty risk inherent in the outstanding positions.

Concentrations of credit risk

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

The Banking Group monitors its portfolios to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks. Risk Management, Business Unit executives and senior management monitor large exposure concentrations through a monthly list of the Banking Group's top corporate exposures. The ANZ Credit and Market Risk Committee and Board Risk Committee regularly review a comprehensive list of single customer concentration limits and customers' adherence to these limits.

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

Notes to the Financial Statements

Concentrations of credit risk analysis

$ millions	Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Other financial assets	Credit related commitments [3]	Total
	Banking Group						
30/09/2013							
Industry							
Agriculture	**1**	**29**	**22**	**17,468**	**93**	**1,229**	**18,842**
Forestry, fishing and mining	**14**	**-**	**11**	**926**	**5**	**894**	**1,850**
Business and property services	**23**	**1**	**24**	**8,876**	**47**	**2,363**	**11,334**
Construction	**-**	**-**	**-**	**1,033**	**6**	**709**	**1,748**
Entertainment, leisure and tourism	**-**	**-**	**27**	**1,031**	**5**	**326**	**1,389**
Finance and insurance	**2,015**	**5,120**	**8,586**	**839**	**335**	**1,517**	**18,412**
Government and local authority [1]	**1,533**	**5,872**	**248**	**1,228**	**7**	**1,022**	**9,910**
Manufacturing	**54**	**-**	**69**	**2,916**	**16**	**1,996**	**5,051**
Personal lending	**-**	**-**	**-**	**51,407**	**274**	**11,811**	**63,492**
Retail trade	**102**	**-**	**40**	**1,717**	**9**	**991**	**2,859**
Transport and storage	**19**	**3**	**54**	**1,453**	**8**	**610**	**2,147**
Wholesale trade	**88**	**-**	**13**	**1,227**	**7**	**1,369**	**2,704**
Other [2]	**19**	**77**	**424**	**1,422**	**8**	**2,627**	**4,577**
	3,868	**11,102**	**9,518**	**91,543**	**820**	**27,464**	**144,315**
Provision for credit impairment	**-**	**-**	**-**	**(826)**	**-**	**-**	**(826)**
Fair value hedge adjustment	**-**	**-**	**-**	**(42)**	**-**	**-**	**(42)**
Unearned finance income and deferred / capitalised fees	**-**	**-**	**-**	**(186)**	**-**	**-**	**(186)**
Total financial assets	**3,868**	**11,102**	**9,518**	**90,489**	**820**	**27,464**	**143,261**
Geography							
New Zealand	**3,857**	**7,683**	**2,523**	**88,504**	**809**	**27,283**	**130,659**
Overseas	**11**	**3,419**	**6,995**	**1,985**	**11**	**181**	**12,602**
Total financial assets	**3,868**	**11,102**	**9,518**	**90,489**	**820**	**27,464**	**143,261**
30/09/2012							
Industry							
Agriculture	-	-	60	17,342	123	1,546	19,071
Forestry, fishing and mining	24	-	14	894	6	322	1,260
Business and property services	19	-	51	9,030	64	2,542	11,706
Construction	-	-	2	1,015	7	1,035	2,059
Entertainment, leisure and tourism	-	-	41	1,165	8	483	1,697
Finance and insurance	2,345	3,696	11,322	501	32	1,349	19,245
Government and local authority [1]	1,798	8,574	405	1,332	9	1,111	13,229
Manufacturing	43	6	98	2,914	21	2,509	5,591
Personal lending	-	-	-	47,339	335	10,990	58,664
Retail trade	28	6	43	1,772	13	1,102	2,964
Transport and storage	25	50	93	1,657	12	579	2,416
Wholesale trade	54	-	21	1,195	8	1,375	2,653
Other [2]	13	63	603	1,798	13	2,302	4,792
	4,349	12,395	12,753	87,954	651	27,245	145,347
Provision for credit impairment	-	-	-	(1,054)	-	-	(1,054)
Fair value hedge adjustment	-	-	-	(2)	-	-	(2)
Unearned finance income and deferred / capitalised fees	-	-	-	(220)	-	-	(220)
Total financial assets	4,349	12,395	12,753	86,678	651	27,245	144,071
Geography							
New Zealand	3,873	10,524	3,582	85,070	639	26,989	130,677
Overseas	680	1,871	9,171	1,608	12	256	13,598
Total financial assets	4,553	12,395	12,753	86,678	651	27,245	144,275

Notes to the Financial Statements

$ millions	Bank							
30/09/2013	**Liquid assets and due from other financial institutions**	**Trading securities and available-for-sale assets**	**Derivative financial instruments**	**Net loans and advances**	**Due from subsidiaries**	**Other financial assets**	**Credit related commitments [3]**	**Total**
Industry								
Agriculture	**1**	**29**	**22**	**17,161**	**-**	**100**	**1,204**	**18,517**
Forestry, fishing and mining	**14**	**-**	**11**	**779**	**-**	**5**	**871**	**1,680**
Business and property services	**23**	**1**	**24**	**8,755**	**-**	**51**	**2,340**	**11,194**
Construction	**-**	**-**	**-**	**738**	**-**	**4**	**658**	**1,400**
Entertainment, leisure and tourism	**-**	**-**	**27**	**1,005**	**-**	**6**	**324**	**1,362**
Finance and insurance	**2,014**	**5,118**	**8,590**	**834**	**12,206**	**165**	**4,242**	**33,169**
Government and local authority[1]	**1,533**	**5,871**	**248**	**1,053**	**-**	**6**	**1,022**	**9,733**
Manufacturing	**54**	**-**	**69**	**2,802**	**-**	**16**	**1,987**	**4,928**
Personal lending	**-**	**-**	**-**	**50,734**	**-**	**297**	**11,801**	**62,832**
Retail trade	**102**	**-**	**40**	**1,528**	**-**	**9**	**934**	**2,613**
Transport and storage	**19**	**3**	**54**	**1,062**	**-**	**6**	**546**	**1,690**
Wholesale trade	**88**	**-**	**13**	**1,165**	**-**	**7**	**1,351**	**2,624**
Other[2]	**19**	**77**	**424**	**1,344**	**-**	**8**	**2,623**	**4,495**
	3,867	**11,099**	**9,522**	**88,960**	**12,206**	**680**	**29,903**	**156,237**
Provision for credit impairment	**-**	**-**	**-**	**(789)**	**-**	**-**	**-**	**(789)**
Fair value hedge adjustment	**-**	**-**	**-**	**(42)**	**-**	**-**	**-**	**(42)**
Unearned finance income and deferred / capitalised fees	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**100**
Total financial assets	**3,867**	**11,099**	**9,522**	**88,229**	**12,206**	**680**	**29,903**	**155,506**
Geography								
New Zealand	**3,856**	**7,680**	**2,527**	**86,244**	**12,206**	**665**	**29,722**	**142,900**
Overseas	**11**	**3,419**	**6,995**	**1,985**	**-**	**15**	**181**	**12,606**
Total financial assets	**3,867**	**11,099**	**9,522**	**88,229**	**12,206**	**680**	**29,903**	**155,506**
30/09/2012								
Industry								
Agriculture	-	-	60	17,043	-	101	1,511	18,715
Forestry, fishing and mining	24	-	14	754	-	4	320	1,116
Business and property services	19	-	51	8,894	-	53	2,524	11,541
Construction	-	-	2	766	-	5	993	1,766
Entertainment, leisure and tourism	-	-	41	1,128	-	7	478	1,654
Finance and insurance	2,329	3,693	11,357	494	11,619	32	1,991	31,515
Government and local authority[1]	1,798	8,574	405	1,103	-	7	1,111	12,998
Manufacturing	43	6	98	2,773	-	16	2,491	5,427
Personal lending	-	-	-	46,741	-	277	10,982	58,000
Retail trade	28	6	43	1,594	-	9	1,013	2,693
Transport and storage	25	50	93	1,303	-	8	521	2,000
Wholesale trade	54	-	21	1,135	-	7	1,356	2,573
Other[2]	13	63	603	1,565	-	9	2,294	4,547
	4,333	12,392	12,788	85,293	11,619	535	27,585	154,545
Provision for credit impairment	-	-	-	(1,016)	-	-	-	(1,016)
Fair value hedge adjustment	-	-	-	(2)	-	-	-	(2)
Unearned finance income and deferred / capitalised fees	-	-	-	44	-	-	-	44
Total financial assets	4,333	12,392	12,788	84,319	11,619	535	27,585	153,571
Geography								
New Zealand	3,857	10,521	3,617	82,711	11,619	525	27,329	140,179
Overseas	680	1,871	9,171	1,608	-	10	256	13,596
Total financial assets	4,537	12,392	12,788	84,319	11,619	535	27,585	153,775

[1] Government and local authority includes exposures to government administration and defence, education and health and community services.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Notes to the Financial Statements

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk for on and off balance sheet financial instruments before taking account of the financial effect of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

The table also provides a quantification of the value of the financial charges the Banking Group holds over a borrower's specific asset (or assets) where the Banking Group is able to enforce the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations. For the purposes of this disclosure, where the collateral held is valued at more than the corresponding credit exposure, the financial effect is capped at the value of the credit exposure. In respect of derivative financial instruments, the assessed collateral is the amount of cash collateral received and does not include the effect of any netting arrangements under ISDAs.

The most common types of collateral include:

- Security over real estate including residential, commercial, industrial and rural property;
- Cash deposits; and
- Other security over business assets including specific plant and equipment, inventory and accounts receivables.

The Banking Group also manages its credit risk by accepting other types of collateral such as guarantees and security interests over the assets of a customer's business. The assignable value of such credit mitigants is less certain and their financial effect has not been quantified for disclosure purposes. Credit exposures shown as not fully secured may benefit from such credit mitigants.

	Banking Group			Bank		
$ millions 30/09/2013	Maximum exposure to credit risk	Financial effect of collateral	Unsecured portion of credit exposure	Maximum exposure to credit risk	Financial effect of collateral	Unsecured portion of credit exposure
On and off-balance sheet positions						
Liquid assets	**2,298**	**55**	**2,243**	**2,297**	**55**	**2,242**
Due from other financial institutions	**1,570**	**348**	**1,222**	**1,570**	**348**	**1,222**
Trading securities	**10,320**	**-**	**10,320**	**10,319**	**-**	**10,319**
Derivative financial instruments	**9,518**	**438**	**9,080**	**9,522**	**438**	**9,084**
Available-for-sale assets	**782**	**-**	**782**	**780**	**-**	**780**
Net loans and advances	**90,489**	**81,385**	**9,104**	**88,229**	**79,317**	**8,912**
Due from subsidiaries	**-**	**-**	**-**	**12,206**	**-**	**12,206**
Other financial assets	**820**	**490**	**330**	**680**	**490**	**190**
Credit related commitments	**27,464**	**12,769**	**14,695**	**29,903**	**14,719**	**15,184**
Total exposure to credit risk	**143,261**	**95,485**	**47,776**	**155,506**	**95,367**	**60,139**
30/09/2012						
On and off-balance sheet positions						
Liquid assets	2,627	325	2,302	2,611	325	2,286
Due from other financial institutions	1,722	270	1,452	1,722	270	1,452
Trading securities	12,338	-	12,338	12,338	-	12,338
Derivative financial instruments	12,753	257	12,496	12,788	257	12,531
Available-for-sale assets	54	-	54	54	-	54
Net loans and advances	86,678	78,460	8,218	84,319	76,468	7,851
Due from subsidiaries	-	-	-	11,619	-	11,619
Other financial assets	651	351	300	535	351	184
Credit related commitments	27,245	12,307	14,938	27,585	12,055	15,530
Total exposure to credit risk	144,068	91,970	52,098	153,571	89,726	63,845

Credit quality

A core component of the Banking Group's credit risk management capability is the risk grading framework used across all major business units. A set of risk grading principles and policies is supported by a complementary risk grading methodology. Pronouncements by the International Basel Committee on Banking Supervision have been encapsulated in these principles and policies including governance, validation and modelling requirements.

The Banking Group's risk grade profile changes dynamically through new counterparty lending and existing counterparty movements in either risk or volume. All counterparty risk grades are subject to frequent review, including statistical and behavioural reviews in consumer and small business segments, and individual counterparty reviews in segments with larger single name borrowers.

Impairment and provisioning of financial assets

The Banking Group's policy relating to the recognition and measurement of impaired assets conforms to the RBNZ's guidelines.

Loans are classified as either performing or impaired. Impaired assets are credit exposures where: there is doubt as to whether the full contractual amount (including interest) will be received; a material credit obligation is 90 days past due but not well secured; they are portfolio managed and can be held for up to 180 days past due; or concessional terms have been provided due to the financial difficulties of the customer.

Notes to the Financial Statements

An exposure is classified as past due but not impaired (less than 90 days) where the value of collateral is sufficient to repay both the principal debt and all other potential interest and there is no concern as to the creditworthiness of the counterparty in question.

The past due but not impaired (over 90 days) classification applies where contractual payments are past due by 90 days or more, or where the facility remains outside of contractual arrangements for 90 or more consecutive days, but the Banking Group believes that impairment is not appropriate on the basis of the level of security/collateral available, or the facility is portfolio managed.

The provision for credit impairment represents management's best estimate of the losses incurred in the loan portfolio at balance date based on its experienced judgement.

Distribution of gross loans and advances assets by credit quality

The credit quality of the portfolio of loans and advances is assessed by reference to the Banking Group's risk grading principles and policies supported by a complementary risk grading methodology.

Distribution by asset class of gross loans and advances by credit quality

	Banking Group				Bank			
$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2013								
Strong risk rating	**38,140**	**1,342**	**20,646**	**60,128**	**38,140**	**1,342**	**20,011**	**59,493**
Satisfactory risk rating	**7,550**	**2,519**	**15,757**	**25,826**	**7,550**	**1,562**	**14,925**	**24,037**
Substandard but not past due or impaired	**721**	**326**	**1,792**	**2,839**	**721**	**307**	**1,724**	**2,752**
Total neither past due nor impaired	**46,411**	**4,187**	**38,195**	**88,793**	**46,411**	**3,211**	**36,660**	**86,282**
Past due but not impaired:								
1 to 5 days	**327**	**138**	**477**	**942**	**327**	**131**	**472**	**930**
6 to 29 days	**177**	**94**	**148**	**419**	**177**	**78**	**145**	**400**
1 to 29 days	**504**	**232**	**625**	**1,361**	**504**	**209**	**617**	**1,330**
30 to 59 days	**111**	**38**	**57**	**206**	**111**	**32**	**56**	**199**
60 to 89 days	**49**	**19**	**13**	**81**	**49**	**17**	**12**	**78**
90 days and over	**92**	**40**	**76**	**208**	**92**	**35**	**74**	**201**
Total past due but not impaired	**756**	**329**	**771**	**1,856**	**756**	**293**	**759**	**1,808**
Total impaired assets	**179**	**49**	**666**	**894**	**179**	**49**	**642**	**870**
Gross loans and advances	**47,346**	**4,565**	**39,632**	**91,543**	**47,346**	**3,553**	**38,061**	**88,960**
30/09/2012								
Strong risk rating	33,258	1,140	19,994	54,392	33,258	1,140	19,362	53,760
Satisfactory risk rating	8,635	2,466	15,590	26,691	8,635	1,590	14,641	24,866
Substandard but not past due or impaired	891	408	2,118	3,417	891	387	2,042	3,320
Total neither past due nor impaired	42,784	4,014	37,702	84,500	42,784	3,117	36,045	81,946
Past due but not impaired:								
1 to 5 days	326	139	458	923	326	132	456	914
6 to 29 days	363	92	181	636	363	77	171	611
1 to 29 days	689	231	639	1,559	689	209	627	1,525
30 to 59 days	127	32	67	226	127	27	66	220
60 to 89 days	48	17	28	93	48	15	25	88
90 days and over	91	33	86	210	91	30	81	202
Total past due but not impaired	955	313	820	2,088	955	281	799	2,035
Total impaired assets	313	44	1,009	1,366	313	44	955	1,312
Gross loans and advances	44,052	4,371	39,531	87,954	44,052	3,442	37,799	85,293

Notes to the Financial Statements

Credit quality of gross loans and advances neither past due nor impaired

The credit quality of financial assets is assessed by the Banking Group using internal ratings which aim to reflect the relative ability of counterparties to fulfil, on time, their credit-related obligations, and is based on their current probability of default.

Internal ratings

Strong risk rating - Corporate customers demonstrating superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. Retail customers with low expected loss. This rating band broadly corresponds to ratings "Aaa" to "Ba1" and "AAA" to "BB+" of Moody's Investors Service and Standard & Poor's respectively.

Satisfactory risk rating - Corporate customers consistently demonstrating sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings. Retail customers with moderate expected loss. This rating band broadly corresponds to ratings "Ba2" to "B1" and "BB" to "B+" of Moody's Investors Service and Standard & Poor's respectively.

Substandard but not past due or impaired - Corporate customers demonstrating some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. Retail customers with higher expected loss. This rating band broadly corresponds to ratings "B2" to "Caa" and "B" to "CCC" of Moody's Investors Service and Standard & Poor's respectively.

Movements in the rating categories between balance dates are due to both changes in the underlying internal ratings applied to customers and to new loans written or loans rolling off.

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

Ageing analysis of past due loans is used by the Banking Group to measure and manage credit quality. Financial assets that are past due but not impaired include those:

- Assessed, approved and managed on a portfolio basis within a centralised environment (for example, credit cards and personal loans);
- Held on a productive basis until they are 180 days past due; and
- Managed on an individual basis.

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

Market risk

Market risk is the risk to the Banking Group's earnings arising from changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. Market risk is generated through both trading activities and the interest rate risk inherent in the banking book.

The Banking Group conducts trading operations in interest rates, foreign exchange, commodities and debt securities. Trading operations largely focus on supporting customer hedging and investing activities, rather than outright proprietary trading. A medium market risk appetite has been set for the Banking Group, which is reflected in its low/moderate market risk limit framework.

The Banking Group has a detailed risk management and control framework to support its trading and balance sheet management activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios. This approach, and related analysis, identifies the range of possible outcomes that can be expected over a given period of time, establishes the relative likelihood of those outcomes and allocates an appropriate amount of capital to support these activities.

Market risk management and control responsibilities

The Board Risk Committee has delegated responsibility for the oversight of market risk to the Asset & Liability Committee ("ALCO"), chaired by the Chief Financial Officer of the Bank. ALCO are required to ensure that market risk exposure across Traded and Non-Traded portfolios remains within the risk appetite specified by the Board Risk Committee. ALCO receive regular reporting on a range of trading and balance sheet market risk exposures.

The Risk Management division of the Banking Group, through the Chief Risk Officer, is responsible for the day-to-day oversight of market risk. This includes the implementation of a comprehensive limit and policy framework to control the amount of risk that the Banking Group will accept. Market risk limits are allocated at various levels and are reported and monitored on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes (e.g., interest rates, foreign exchange), risk factors (e.g., interest rates, volatilities) and profit and loss limits (to monitor and manage the performance of the trading portfolios).

Additional oversight and monitoring of material risk exposures of the Banking Group is undertaken by the Risk Management functions of the Ultimate Parent Bank.

Within overall strategies and policies, the control of market risk is the joint responsibility of business units and Risk Management, with the delegation of market risk limits from the Board Risk Committee to both Risk Management and the business units.

These risks are monitored daily against a comprehensive limit framework that includes Value at Risk, aggregate market position and sensitivity, product and geographic thresholds. To facilitate the management, control, measurements and reporting of market risk, the Banking Group has grouped market risk into two broad categories:

a. Traded market risk

This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. They arise in trading transactions where the Banking Group acts as principal with clients or with the market. The principal risk categories monitored are:

- Currency risk is the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.
- Interest rate risk is the potential loss arising from the change in the value of a financial instrument

due to changes in market interest rates or their implied volatilities.

- Credit spread risk is the potential loss arising from a change in value of an instrument due to a movement of its margin or spread relative to a bench mark.

b. Non-traded market risk (or balance sheet risk)

This comprises the management of non-traded interest rate risk, liquidity, and the risk to capital and earnings as a result of movements in market rates.

Some instruments do not fall into either category but also expose the Banking Group to market risk. These include equity securities classified as available-for-sale. Regular reviews are performed to substantiate the valuation of these types of instruments.

In all trading areas the Banking Group has implemented models that calculate Value at Risk ("VaR") exposures, monitor risk exposures against defined limits on a daily basis, and "stress test" trading portfolios.

VaR measure

A key measure of market risk is VaR. VaR is a statistical estimate of the likely daily loss and is based on historical market movements.

The confidence level is such that there is a 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely there is 1% probability of the decrease in market value exceeding the VaR estimate on any given day.

The Banking Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Banking Group calculates VaR using historical changes in market rates and prices over the previous 500 business days. Traded and Non-Traded VaR is calculated using a one-day holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Banking Group could experience from an extreme market event. As a result of this limitation, the Banking Group utilises a number of other risk measures (e.g. stress testing) and associated detailed control limits to measure and manage market risk.

During the 2012 financial year, the Banking Group moved to monitoring Traded and Non-Traded VaR at the 99% confidence level only, having previously also used a 97.5% confidence level, as the 99% confidence level encompasses a wider range of potential outcomes. Non-Traded VaR at the 99% confidence level was not disclosed previously, so the comparative figures have been restated accordingly.

Traded market risks

	Banking Group Value at risk at 99% confidence			
$ millions	Period end	High for year	Low for year	Average for year
30/09/2013				
Foreign exchange risk	**0.3**	**1.4**	**-**	**0.3**
Interest rate risk	**2.1**	**3.7**	**1.1**	**2.3**
Credit spread risk	**0.4**	**1.0**	**0.2**	**0.4**
Diversification benefit	**(0.8)**	**n/a**	**n/a**	**(0.7)**
Total VaR	**2.0**	**4.1**	**1.2**	**2.3**
30/09/2012				
Foreign exchange risk	0.2	1.4	0.2	0.4
Interest rate risk	2.7	6.4	1.6	3.6
Credit spread risk	0.4	1.2	0.2	0.7
Diversification benefit	(0.7)	n/a	n/a	(1.2)
Total VaR	2.6	6.3	1.5	3.5

Traded market risk VaR is calculated separately for foreign exchange and for interest rate/debt markets businesses as well as for the Banking Group. The diversification benefit reflects the historical correlation between foreign exchange, interest rate and debt markets.

To supplement the VaR methodology, the Banking Group applies a wide range of stress tests, both on individual portfolios and at the Banking Group level. The Banking Group's stress-testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures of the Banking Group.

Non-traded market risk (or balance sheet risk)

The principal objectives of balance sheet management are to manage net interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to manage the market value of the Banking Group's capital. Liquidity risk is dealt with in the next section.

Notes to the Financial Statements

Interest rate risk

The objective of balance sheet interest rate risk management is to mitigate the negative impact of movements in wholesale interest rates on the earnings of the Banking Group's banking book. Non-traded interest rate risk relates to the potential adverse impact to earnings from changes in market interest rates. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

As part of normal business activity the Banking Group has additional risks from fixed rate mortgage prepayments and basis risk:

- Prepayment risk is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to the Banking Group of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation.
- Basis risk is the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing. This is managed through active review of product margins.

Non-traded interest rate risk is managed to both value and earnings at risk limits. Interest rate risk is reported using three measures: VaR; scenario analysis (to a 1% shock); and interest rate sensitivity gap. This treatment excludes the effect of prepayment and basis risk.

a. Non-traded interest rate risk VaR

	Banking Group			
$ millions	**Period end**	**High for year**	**Low for year**	**Average for year**
30/09/2013				
Value at risk at 99% confidence	**9.2**	**14.3**	**7.7**	**11.1**
30/09/2012				
Value at risk at 99% confidence	10.7	15.5	8.8	11.2

b. Scenario analysis – A 1% shock on the next 12 months' net interest income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the succeeding 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and comparative periods – expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	Banking Group	
	30/09/2013	30/09/2012
Impact of 1% rate shock		
Period end	**1.1%**	1.1%
Maximum exposure	**2.0%**	2.3%
Minimum exposure	**0.6%**	0.9%
Average exposure (in absolute terms)	**1.3%**	1.7%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income.

Interest rate sensitivity gap

The interest rate sensitivity gap analysis provides information about the Banking Group's exposure to interest rate risk.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

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

The repricing gaps are based upon contractual repricing.

Notes to the Financial Statements

$ millions 30/09/2013	Total	Banking Group Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	**2,496**	**2,136**	**-**	**-**	**-**	**-**	**360**
Due from other financial institutions	**1,570**	**1,426**	**-**	**-**	**-**	**-**	**144**
Trading securities	**10,320**	**1,235**	**455**	**606**	**3,105**	**4,919**	**-**
Derivative financial instruments	**9,518**	**-**	**-**	**-**	**-**	**-**	**9,518**
Available-for-sale assets	**782**	**177**	**234**	**23**	**250**	**96**	**2**
Net loans and advances	**90,489**	**58,412**	**5,116**	**10,828**	**10,917**	**5,759**	**(543)**
Other financial assets	**820**	**103**	**30**	**36**	**3**	**-**	**648**
Total financial assets	**115,995**	**63,489**	**5,835**	**11,493**	**14,275**	**10,774**	**10,129**
Liabilities							
Due to other financial institutions	**1,517**	**1,143**	**-**	**-**	**-**	**-**	**374**
Deposits and other borrowings	**77,697**	**51,967**	**9,419**	**8,231**	**1,437**	**1,117**	**5,526**
Due to Immediate Parent Company	**939**	**939**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**10,243**	**-**	**-**	**-**	**-**	**-**	**10,243**
Bonds and notes	**15,494**	**4,867**	**47**	**266**	**2,933**	**7,381**	**-**
Loan capital	**1,144**	**-**	**309**	**-**	**-**	**835**	**-**
Other financial liabilities	**1,232**	**44**	**-**	**-**	**-**	**126**	**1,062**
Total financial liabilities	**108,266**	**58,960**	**9,775**	**8,497**	**4,370**	**9,459**	**17,205**
Hedging instruments	**-**	**(5,695)**	**14,905**	**(3,058)**	**(9,566)**	**3,414**	**-**
Interest sensitivity gap	**7,729**	**(1,166)**	**10,965**	**(62)**	**339**	**4,729**	**(7,076)**
30/09/2012							
Assets							
Liquid assets	2,831	2,626	-	-	-	-	205
Due from other financial institutions	1,722	1,653	-	-	-	-	69
Trading securities	12,338	1,465	161	3,042	1,121	6,549	-
Derivative financial instruments	12,753	-	-	-	-	-	12,753
Available-for-sale assets	57	46	5	3	-	-	3
Net loans and advances	86,678	63,922	3,144	6,818	8,967	4,431	(604)
Other financial assets	651	104	11	27	-	-	509
Total financial assets	117,030	69,816	3,321	9,890	10,088	10,980	12,935
Liabilities							
Due to other financial institutions	1,759	1,073	-	-	-	154	532
Deposits and other borrowings	73,652	47,398	11,939	6,694	1,641	1,142	4,838
Due to Immediate Parent Company	740	740	-	-	-	-	-
Derivative financial instruments	13,930	-	-	-	-	-	13,930
Bonds and notes	17,244	6,266	-	2,495	253	8,230	-
Loan capital	1,168	-	333	835	-	-	-
Other financial liabilities	1,248	14	3	1	-	88	1,142
Total financial liabilities	109,741	55,491	12,275	10,025	1,894	9,614	20,442
Hedging instruments	-	2,206	2,867	(9,177)	2,490	1,614	-
Interest sensitivity gap	7,289	16,531	(6,087)	(9,312)	10,684	2,980	(7,507)

Notes to the Financial Statements

30/09/2013 $ millions	Total	Bank Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	**2,495**	**2,135**	**-**	**-**	**-**	**-**	**360**
Due from other financial institutions	**1,570**	**1,426**	**-**	**-**	**-**	**-**	**144**
Trading securities	**10,319**	**1,234**	**455**	**606**	**3,105**	**4,919**	**-**
Derivative financial instruments	**9,522**	**-**	**-**	**-**	**-**	**-**	**9,522**
Available-for-sale assets	**780**	**177**	**234**	**23**	**250**	**96**	**-**
Net loans and advances	**88,229**	**57,108**	**5,007**	**10,630**	**10,496**	**5,507**	**(519)**
Due from subsidiaries	**12,206**	**12,206**	**-**	**-**	**-**	**-**	**-**
Other financial assets	**680**	**-**	**-**	**-**	**-**	**-**	**680**
Total financial assets	**125,801**	**74,286**	**5,696**	**11,259**	**13,851**	**10,522**	**10,187**
Liabilities							
Due to other financial institutions	**1,517**	**1,143**	**-**	**-**	**-**	**-**	**374**
Deposits and other borrowings	**71,440**	**47,657**	**8,576**	**7,452**	**1,216**	**1,013**	**5,526**
Due to subsidiaries	**33,768**	**17,616**	**1,937**	**2,634**	**4,645**	**6,936**	**-**
Due to Immediate Parent Company	**939**	**939**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**10,252**	**-**	**-**	**-**	**-**	**-**	**10,252**
Bonds and notes	**2,687**	**847**	**-**	**235**	**596**	**1,009**	**-**
Loan capital	**1,144**	**-**	**309**	**-**	**-**	**835**	**-**
Other financial liabilities	**1,091**	**43**	**-**	**-**	**-**	**126**	**922**
Total financial liabilities	**122,838**	**68,245**	**10,822**	**10,321**	**6,457**	**9,919**	**17,074**
Hedging instruments	**-**	**(12,096)**	**16,193**	**(816)**	**(7,258)**	**3,977**	**-**
Interest sensitivity gap	**2,963**	**(6,055)**	**11,067**	**122**	**136**	**4,580**	**(6,887)**
30/09/2012							
Assets							
Liquid assets	2,815	2,610	-	-	-	-	205
Due from other financial institutions	1,722	1,653	-	-	-	-	69
Trading securities	12,338	1,465	161	3,042	1,121	6,549	-
Derivative financial instruments	12,788	-	-	-	-	-	12,788
Available-for-sale assets	54	46	5	3	-	-	-
Net loans and advances	84,319	62,767	3,031	6,463	8,653	3,989	(584)
Due from subsidiaries	11,619	11,619	-	-	-	-	-
Other financial assets	535	-	-	-	-	-	535
Total financial assets	126,190	80,160	3,197	9,508	9,774	10,538	13,013
Liabilities							
Due to other financial institutions	1,555	869	-	-	-	154	532
Deposits and other borrowings	66,731	43,647	9,630	6,089	1,522	1,009	4,834
Due to subsidiaries	37,940	22,221	2,615	3,868	1,775	7,104	357
Due to Immediate Parent Company	740	740	-	-	-	-	-
Derivative financial instruments	13,930	-	-	-	-	-	13,930
Bonds and notes	2,500	637	-	100	176	1,587	-
Loan capital	1,168	-	333	835	-	-	-
Other financial liabilities	1,065	14	3	1	-	88	959
Total financial liabilities	125,629	68,128	12,581	10,893	3,473	9,942	20,612
Hedging instruments	-	(1,803)	3,429	(7,878)	4,188	2,064	-
Interest sensitivity gap	561	10,229	(5,955)	(9,263)	10,489	2,660	(7,599)

Equity price risk

The portfolio of financial assets classified as available-for-sale contains equity investment holdings held for longer term strategic intentions. These equity investments are also subject to market risk which is not captured by the VaR measures for traded and non-traded market risks. The fair value of these securities as at 30 September 2013 was $2 million (30/09/2012 $3 million). A 10 per cent reduction in the value of the available-for-sale equity securities would not be material.

Notes to the Financial Statements

Foreign currency related risks

This risk relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates.

For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities, and consequent foreign currency exposures arising from each class of financial asset and liability, whether recognised or unrecognised, within each currency are not material.

The net open position in each foreign currency represents the net on-balance sheet assets and liabilities in that foreign currency aggregated with the net expected future cash flows from off-balance sheet purchases and sales from foreign exchange transactions in that foreign currency. The amounts are stated in New Zealand dollar equivalents translated using the spot exchange rates as at balance sheet date.

	Banking Group		**Bank**	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Net open position				
Australian dollar	**32**	1	**32**	1
Euro	**1**	1	**1**	1
Japanese yen	**(1)**	1	**(1)**	1
Pound sterling	**-**	1	**-**	1
US dollar	**(1)**	1	**(1)**	1
Other	**1**	1	**1**	1
Total net open position	**32**	6	**32**	6

Notes to the Financial Statements

Liquidity risk

Liquidity risk is the risk that the Banking Group is unable to meet its payment obligations as they fall due. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Banking Group.

The Banking Group's liquidity and funding risks are governed by a detailed policy framework which is approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards. The core objective of the Banking Group's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses.

Central to the Banking Group's liquidity risk management approach is the establishment of a liquidity risk appetite framework to which the Banking Group must conform at all times. The risk appetite for liquidity has been set as low, and this objective is achieved by the Banking Group managing liquidity risks within the boundaries of the following requirements and principles:

- Maintaining the ability to meet all payment obligations in the immediate term.
- Ensuring the ability to meet "survival horizons" under a range of the Banking Group specific and general market liquidity stress scenarios.
- Maintaining strength in the Banking Group's balance sheet structure to ensure long term resilience in the Banking Group's liquidity and funding risk profile.
- Limiting the potential earnings at risk associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Ensuring the liquidity management framework is compatible with regulatory requirements.
- Daily liquidity reporting and scenario analysis, quantifying the Banking Group's positions.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Establishing detailed contingency plans to cover different liquidity crisis events.

Management of liquidity and funding risks are overseen by ALCO.

Supervision and Regulation

The RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing domestic and foreign currency liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario Modelling

A key component of the Banking Group's liquidity management framework is scenario modelling. Liquidity is assessed under different scenarios, including "going-concern", "name-crisis" and various "survival horizons".

"Going-concern": reflects the normal behaviour of cash flows in the ordinary course of business. The Banking Group must be able to meet all commitments and obligations under a going concern scenario, within the Banking Group's normal funding capacity ('available to fund' limit), over at least the following 30 calendar days. In estimating the funding requirement, the Banking Group models expected cash flows by reference to historical behaviour and contractual maturity data.

"Name-crisis": refers to a potential name-specific liquidity crisis scenario which models the behaviour of cash flows where there is a problem (real or perceived) which may include, but is not limited to, operational issues, doubts about the solvency of the Banking Group, or adverse rating changes. Under this scenario the Banking Group may have significant difficulty rolling over or replacing funding. Under the liquidity policy the Banking Group must be cash flow positive over an eight calendar day period.

"Survival horizons": The global financial crisis has highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events. The Banking Group has linked its liquidity risk appetite to defined liquidity "survival horizons" (i.e. the time period under which the Banking Group must maintain a positive cash flow position). The following stressed scenarios are modelled:

- Extreme Short Term Crisis Scenario: A name-specific stress during a period of market stress.
- Short Term Crisis Scenario: A name-specific stress during a period of normal markets conditions.
- Global Funding Market Disruption: Stressed global wholesale funding markets leading to a closure of domestic and offshore markets.
- Offshore Funding Market Disruption: Stressed global wholesale funding markets leading to a closure of offshore markets only.

As of 30 September 2013 the Banking Group was in compliance with all of the above scenarios.

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency while targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term wholesale funding requirements, with a contractual maturity of less than one year, are managed through the Treasury and Markets operations. Long-term wholesale funding is managed and executed through Treasury operations.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group does not become reliant on issuing large volumes of new wholesale funding within a short time period. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Funding capacity limits are determined at the Ultimate Parent Bank level and allocated to individual sites based on their requirements. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by monthly updates and is linked to the Banking Group's three year strategic planning cycle.

Notes to the Financial Statements

Funding Composition

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

	Banking Group		**Bank**	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Funding composition				
Customer deposits[1]				
New Zealand	**62,310**	58,383	**60,927**	57,029
Overseas	**8,258**	7,668	**8,149**	7,546
Total customer deposits	**70,568**	66,051	**69,076**	64,575
Wholesale funding				
Bonds and notes	**15,494**	17,244	**2,687**	2,500
Loan capital	**1,144**	1,168	**1,144**	1,168
Certificates of deposit	**2,364**	2,156	**2,364**	2,156
Commercial paper	**4,765**	5,445	**-**	-
Due to subsidiaries	**-**	-	**33,768**	37,940
Due to Immediate Parent Company	**939**	740	**939**	740
Due to other financial institutions	**1,517**	1,759	**1,517**	1,555
Total wholesale funding	**26,223**	28,512	**42,419**	46,059
Total funding	**96,791**	94,563	**111,495**	110,634
Concentrations of funding by industry				
Households	**44,972**	42,761	**43,481**	41,285
Agriculture	**2,439**	2,259	**2,439**	2,259
Forestry, fishing and mining	**617**	488	**617**	488
Manufacturing	**1,413**	1,595	**1,413**	1,595
Entertainment, leisure and tourism	**601**	585	**601**	585
Finance and insurance	**35,817**	37,233	**52,012**	54,780
Retail trade	**955**	718	**955**	718
Wholesale trade	**1,085**	975	**1,085**	975
Business and property services	**3,785**	3,616	**3,785**	3,616
Transport and storage	**637**	672	**637**	672
Construction	**882**	753	**882**	753
Government and local authority	**2,168**	1,754	**2,168**	1,754
Other[2]	**1,420**	1,154	**1,420**	1,154
Total funding	**96,791**	94,563	**111,495**	110,634
Concentrations of funding by geography[3]				
New Zealand	**69,339**	64,934	**101,722**	99,976
Australia	**1,296**	1,370	**1,280**	1,353
United States	**10,122**	13,231	**846**	800
Europe	**9,918**	9,291	**1,587**	2,833
Other countries	**6,116**	5,737	**6,060**	5,672
Total funding	**96,791**	94,563	**111,495**	110,634

1 Represents term deposits, demand deposits bearing interest, deposits not bearing interest and secured debenture stock.
2 Other includes exposures to electricity, gas and water, communications and personal services.
3 The Banking Group classifies funding via ANZ New Zealand (Int'l) as either from the United States or Europe based on the respective programmes.

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

Notes to the Financial Statements

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support liquidity risk management. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity scenario metrics.

Total liquidity portfolio	**Banking Group**		**Bank**	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Balances with central banks	**1,709**	1,973	**1,709**	1,973
Securities purchased under agreement to resell	**41**	105	**41**	105
Certificates of deposit	**159**	100	**159**	100
Government, local body stock and bonds	**5,522**	8,220	**5,522**	8,220
Government treasury bills	**387**	17	**387**	17
Other bonds	**5,069**	3,768	**5,069**	3,768
Total liquidity portfolio	**12,887**	14,183	**12,887**	14,183

Assets held for managing liquidity risk include short term cash held with the RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated NZ domestic corporates. These assets would be accepted as collateral by the RBNZ in repurchase transactions. At 30 September 2013 the Banking Group would be eligible to enter into repurchase transactions with a value of $10,759 million. The Banking Group also held unencumbered internal residential mortgage backed securities ("RMBS") which would entitle the Banking Group to enter into repurchase transactions with a value of $4,200 million at 30 September 2013 (the RBNZ has imposed a cap limiting the amount of RMBS deemed as eligible in the liquidity portfolio to 4% of total assets).

Liquidity crisis contingency planning

The Banking Group maintains liquidity crisis contingency plans defining an approach for analysing and responding to a liquidity-threatening event on a group wide basis. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- outlined action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls;
- guidelines determining the priority of customer relationships in the event of liquidity problems; and
- assigned responsibilities for internal and external communications.

Notes to the Financial Statements

Contractual maturity analysis of financial assets and liabilities

The following tables present the Banking Group's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which the Bank or the Banking Group may be required to realise an asset or settle a liability. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows, except for derivatives held for trading where the full mart-to-market amount has been included in the less than three months category. As a result, the amounts in the tables below may differ to the amounts reported on the balance sheet.

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

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

$ millions 30/09/2013	Banking Group Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,497	2,442	55	-	-	-	-
Due from other financial institutions	1,571	155	1,416	-	-	-	-
Trading securities	11,528	-	412	1,617	8,429	1,070	-
Derivative financial assets (trading)	8,536	-	8,536	-	-	-	-
Available-for-sale assets	824	-	137	271	324	90	2
Net loans and advances	123,149	-	15,534	17,685	38,271	51,659	-
Other financial assets	454	-	385	66	3	-	-
Total financial assets	148,559	2,597	26,475	19,639	47,027	52,819	2
Financial liabilities							
Due to other financial institutions	1,530	853	677	-	-	-	-
Deposits and other borrowings	79,013	34,819	21,517	19,825	2,846	6	-
Due to Immediate Parent Company	940	-	940	-	-	-	-
Derivative financial liabilities (trading)	9,526	-	9,526	-	-	-	-
Bonds and notes	16,442	-	1,614	1,979	11,359	1,490	-
Loan capital	1,528	-	13	41	275	55	1,144
Other financial liabilities	819	-	638	4	32	145	-
Total financial liabilities	109,798	35,672	34,925	21,849	14,512	1,696	1,144
Net financial assets / (liabilities)	38,761	(33,075)	(8,450)	(2,210)	32,515	51,123	(1,142)
Derivative financial instruments used for balance sheet management							
- gross inflows	16,196	-	2,704	3,539	8,689	1,264	-
- gross outflows	(15,370)	-	(2,647)	(3,186)	(8,288)	(1,249)	-
Net financial assets / (liabilities) after balance sheet management	39,587	(33,075)	(8,393)	(1,857)	32,916	51,138	(1,142)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2013	Banking Group Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	429	97	332
Credit related commitments	25,263	25,263	-
Contingent liabilities	2,201	2,201	-
Total	27,893	27,561	332

Notes to the Financial Statements

$ millions 30/09/2012	Banking Group Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,834	2,506	328	-	-	-	-
Due from other financial institutions	1,723	139	1,584	-	-	-	-
Trading securities	13,353	-	152	3,667	6,969	2,565	-
Derivative financial assets (trading)	11,395	-	11,395	-	-	-	-
Available-for-sale assets	65	-	1	13	48	-	3
Net loans and advances	117,600	-	14,891	17,194	36,313	49,202	-
Other financial assets	294	-	216	76	2	-	-
Total financial assets	147,264	2,645	28,567	20,950	43,332	51,767	3
Financial liabilities							
Due to other financial institutions	1,791	932	628	5	37	189	-
Deposits and other borrowings	74,977	30,272	22,682	18,840	3,183	-	-
Due to Immediate Parent Company	741	-	741	-	-	-	-
Derivative financial liabilities (trading)	13,104	-	13,104	-	-	-	-
Bonds and notes	18,399	-	1,636	2,872	11,731	2,160	-
Loan capital	1,829	-	24	71	472	94	1,168
Other financial liabilities	723	-	600	10	65	48	-
Total financial liabilities	111,564	31,204	39,415	21,798	15,488	2,491	1,168
Net financial assets / (liabilities)	35,700	(28,559)	(10,848)	(848)	27,844	49,276	(1,165)
Derivative financial instruments used for balance sheet management							
- gross inflows	16,700	-	1,277	3,710	10,098	1,615	-
- gross outflows	(15,932)	-	(1,182)	(3,471)	(9,674)	(1,605)	-
Net financial assets / (liabilities) after balance sheet management	36,468	(28,559)	(10,753)	(609)	28,268	49,286	(1,165)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2012	Banking Group Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	355	124	231
Credit related commitments	25,440	25,440	-
Contingent liabilities	1,805	1,805	-
Total	27,600	27,369	231

Notes to the Financial Statements

$ millions 30/09/2013	Bank Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,496	2,441	55	-	-	-	-
Due from other financial institutions	1,571	155	1,416	-	-	-	-
Trading securities	11,527	-	411	1,617	8,429	1,070	-
Derivative financial assets (trading)	8,536	-	8,536	-	-	-	-
Available-for-sale assets	822	-	137	271	324	90	-
Net loans and advances	120,258	-	14,960	16,892	36,869	51,537	-
Due from subsidiaries	21,085	-	2,638	326	4,622	13,499	-
Other financial assets	226	-	226	-	-	-	-
Total financial assets	166,521	2,596	28,379	19,106	50,244	66,196	-
Financial liabilities							
Due to other financial institutions	1,513	853	660	-	-	-	-
Deposits and other borrowings	72,679	34,820	18,635	16,724	2,494	6	-
Due to subsidiaries	41,949	-	5,149	5,043	17,419	14,338	-
Due to Immediate Parent Company	940	-	940	-	-	-	-
Derivative financial liabilities (trading)	9,526	-	9,526	-	-	-	-
Bonds and notes	3,046	-	117	356	2,111	462	-
Loan capital	1,528	-	13	41	275	55	1,144
Other financial liabilities	768	-	587	4	32	145	-
Total financial liabilities	131,949	35,673	35,627	22,168	22,331	15,006	1,144
Net financial assets / (liabilities)	34,572	(33,077)	(7,248)	(3,062)	27,913	51,190	(1,144)
Derivative financial instruments used for balance sheet management							
- gross inflows	19,352	-	2,782	3,766	9,761	3,043	-
- gross outflows	(23,600)	-	(2,713)	(3,383)	(9,337)	(8,167)	-
Net financial assets / (liabilities) after balance sheet management	30,324	(33,077)	(7,179)	(2,679)	28,337	46,066	(1,144)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2013	Bank Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	427	96	331
Credit related commitments	27,703	27,703	-
Contingent liabilities	2,200	2,200	-
Total	30,330	29,999	331

Notes to the Financial Statements

$ millions **30/09/2012**	**Total**	**At call**	**Bank** **Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Beyond 5 years**	**No maturity specified**
Financial assets							
Liquid assets	2,818	2,490	328	-	-	-	-
Due from other financial institutions	1,722	37	1,685	-	-	-	-
Trading securities	13,353	-	152	3,667	6,969	2,565	-
Derivative financial instruments (trading)	11,404	-	11,404	-	-	-	-
Available-for-sale assets	62	-	1	13	48	-	-
Net loans and advances	114,645	-	14,227	16,388	34,944	49,086	-
Due from subsidiaries	19,427	-	3,554	273	2,902	12,698	-
Other financial assets	102	-	102	-	-	-	-
Total financial assets	163,533	2,527	31,453	20,341	44,863	64,349	-
Financial liabilities							
Due to other financial institutions	1,587	932	424	5	37	189	-
Deposits and other borrowings	67,971	30,256	19,513	15,299	2,903	-	-
Due to subsidiaries	44,707	-	9,442	6,345	15,522	13,398	-
Due to Immediate Parent Company	741	-	741	-	-	-	-
Derivative financial instruments (trading)	13,104	-	13,104	-	-	-	-
Bonds and notes	3,020	-	19	220	2,188	593	-
Loan capital	1,829	-	24	71	472	94	1,168
Other financial liabilities	655	-	532	10	65	48	-
Total financial liabilities	133,614	31,188	43,799	21,950	21,187	14,322	1,168
Net financial assets / (liabilities)	29,919	(28,661)	(12,346)	(1,609)	23,676	50,027	(1,168)
Derivative financial instruments used for balance sheet management							
- gross inflows	19,240	-	1,347	3,911	10,991	2,991	-
- gross outflows	(23,082)	-	(1,238)	(3,636)	(10,553)	(7,655)	-
Net financial assets / (liabilities) after balance sheet management	26,077	(28,661)	(12,237)	(1,334)	24,114	45,363	(1,168)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions **30/09/2012**	**Total**	**Bank** **Less than 1 year**	**Beyond 1 year**
Non-credit related commitments	328	115	213
Credit related commitments	25,781	25,781	-
Contingent liabilities	1,804	1,804	-
Total	27,913	27,700	213

Notes to the Financial Statements

30. Financial Assets Pledged as Collateral

		Banking Group		Bank	
$ millions	Note	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Cash collateral given on derivative financial instruments	9	**1,002**	1,256	**1,002**	1,256
Trading securities encumbered through repurchase agreements		**108**	252	**108**	252
Residential mortgages pledged as security for covered bonds	23, 36	**5,857**	4,977	**5,857**	4,977
Total tangible assets of UDC Finance Limited pledged as collateral for secured stock	20	**2,162**	2,103	**-**	-
Total financial assets pledged as collateral		**9,129**	8,588	**6,967**	6,485

Registered secured debenture stock is constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. The trust deed creates floating charges over all the assets, primarily loans and advances, of UDC Finance Limited.

31. Concentrations of Credit Risk to Individual Counterparties

The Banking Group measures its concentration of credit risk in respect to bank counterparties on the basis of approved exposures and in respect to non bank counterparties on the basis of limits. No account is taken of collateral, security and/or netting agreements which the Banking Group may hold in respect of the various counterparty exposures.

For the three month period ended 30 September 2013 there were no individual counterparties (excluding connected parties, governments and banks with long term credit ratings of A- or above) where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of equity (as at the end of the period).

Concentrations of credit risk to connected persons

Credit exposures to connected persons reported in the table below have been calculated partially on a bilateral net basis and partially on a gross basis. Netting has occurred (up to a limit of 125% of the Banking Group's tier one capital) in respect of certain transactions which are the subject of a bilateral netting agreement.

Banking Group	**30/09/2013**		30/09/2012	
	Amount $m	**% of Tier One Capital**	Amount $m	% of Tier One Capital
Aggregate at end of year[1]				
Bank connected persons (on gross basis, before netting)	**4,065**	**52.0%**	4,708	65.0%
Less: amount netted off	**3,073**	**39.3%**	3,621	50.0%
Bank connected persons (on partial bilateral net basis)	**992**	**12.7%**	1,087	15.0%
Peak end-of-day for the year[2]				
Bank connected persons (on gross basis, before netting)	**5,696**	**72.8%**	5,939	82.0%
Less: amount netted off	**3,334**	**42.6%**	4,221	58.3%
Bank connected persons (on partial bilateral net basis)	**2,362**	**30.2%**	1,718	23.7%
Rating-contingent limit[3]				
Bank connected persons (on a gross basis, before netting)	**n/a**	**125.0%**	n/a	125.0%
Bank connected persons (on partial bilateral net basis)	**n/a**	**70.0%**	n/a	70.0%
Non-bank connected persons	**n/a**	**15.0%**	n/a	15.0%

1 The Banking Group has amounts due from the Immediate Parent Company and the Ultimate Parent Bank and other entities within the Overseas Banking Group arising in the ordinary course of business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 30 September 2013, the gross exposures to the Immediate Parent Company were $14 million (30/09/2012 $97 million). As at 30 September 2013, the gross exposures to the Ultimate Parent Bank were $4,051 million (30/09/2012 $4,611 million).

2 The Banking Group has complied with the limits on aggregate credit exposure (of a non-capital nature and net of individual provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the year. The peak end-of-day credit exposures for the year to connected persons are measured over Tier One Capital as at the end of the year.

3 Represents the maximum peak end-of-day aggregate credit exposures limit (of a non-capital nature and net of individual provisions) to all connected persons. This limit is based on the ratings applicable to the Bank's long term senior unsecured obligations payable in New Zealand in New Zealand dollars. Within the overall limit a sub-limit of 15% of Tier One Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of individual provisions) to non-bank connected persons. There have been no changes to these limits for the year ended 30 September 2013.

Notes to the Financial Statements

32. Fair Value of Financial Assets and Financial Liabilities

	Banking Group						
$ millions	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair value
Carrying amount		Designated on initial recognition	Held for trading				
30/09/2013							
Liquid assets	**2,496**	**-**	**-**	**-**	**-**	**2,496**	**2,496**
Due from other financial institutions	**1,410**	**-**	**-**	**-**	**160**	**1,570**	**1,570**
Trading securities	**-**	**-**	**10,320**	**-**	**-**	**10,320**	**10,320**
Derivative financial instruments[1]	**-**	**-**	**9,289**	**229**	**-**	**9,518**	**9,518**
Available-for-sale assets	**-**	**-**	**-**	**-**	**782**	**782**	**782**
Net loans and advances[2]	**90,489**	**-**	**-**	**-**	**-**	**90,489**	**90,571**
Other financial assets	**648**	**172**	**-**	**-**	**-**	**820**	**820**
Total financial assets	**95,043**	**172**	**19,609**	**229**	**942**	**115,995**	**116,077**
Due to other financial institutions	**1,514**	**-**	**3**	**-**	**-**	**1,517**	**1,517**
Deposits and other borrowings	**72,932**	**4,765**	**-**	**-**	**-**	**77,697**	**77,754**
Due to Immediate Parent Company	**939**	**-**	**-**	**-**	**-**	**939**	**939**
Derivative financial instruments[1]	**-**	**-**	**10,103**	**140**	**-**	**10,243**	**10,243**
Bonds and notes[2]	**15,494**	**-**	**-**	**-**	**-**	**15,494**	**15,721**
Loan capital	**1,144**	**-**	**-**	**-**	**-**	**1,144**	**1,044**
Other financial liabilities	**1,093**	**-**	**139**	**-**	**-**	**1,232**	**1,232**
Total financial liabilities	**93,116**	**4,765**	**10,245**	**140**	**-**	**108,266**	**108,450**
30/09/2012							
Liquid assets	2,831	-	-	-	-	2,831	2,831
Due from other financial institutions	1,622	-	-	-	100	1,722	1,722
Trading securities	-	-	12,338	-	-	12,338	12,338
Derivative financial instruments[1]	-	-	12,276	477	-	12,753	12,753
Available-for-sale assets	-	-	-	-	57	57	57
Net loans and advances[2]	86,678	-	-	-	-	86,678	86,869
Other financial assets	509	142	-	-	-	651	651
Total financial assets	91,640	142	24,614	477	157	117,030	117,221
Due to other financial institutions	1,704	-	55	-	-	1,759	1,759
Deposits and other borrowings	68,207	5,445	-	-	-	73,652	73,744
Due to Immediate Parent Company	740	-	-	-	-	740	740
Derivative financial instruments[1]	-	-	13,766	164	-	13,930	13,930
Bonds and notes[2]	17,244	-	-	-	-	17,244	17,482
Loan capital	1,168	-	-	-	-	1,168	1,030
Other financial liabilities	1,141	-	107	-	-	1,248	1,248
Total financial liabilities	90,204	5,445	13,928	164	-	109,741	109,933

Notes to the Financial Statements

Bank

$ millions	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair Value
Carrying amount		Designated on initial recognition	Held for trading				
30/09/2013							
Liquid assets	**2,495**	**-**	**-**	**-**	**-**	**2,495**	**2,495**
Due from other financial institutions	**1,410**	**-**	**-**	**-**	**160**	**1,570**	**1,570**
Trading securities	**-**	**-**	**10,319**	**-**	**-**	**10,319**	**10,319**
Derivative financial instruments[1]	**-**	**-**	**9,293**	**229**	**-**	**9,522**	**9,522**
Available-for-sale assets	**-**	**-**	**-**	**-**	**780**	**780**	**780**
Net loans and advances[2]	**88,229**	**-**	**-**	**-**	**-**	**88,229**	**88,304**
Due from subsidiaries	**6,428**	**5,778**	**-**	**-**	**-**	**12,206**	**12,216**
Other financial assets	**680**	**-**	**-**	**-**	**-**	**680**	**680**
Total financial assets	**99,242**	**5,778**	**19,612**	**229**	**940**	**125,801**	**125,886**
Due to other financial institutions	**1,514**	**-**	**3**	**-**	**-**	**1,517**	**1,517**
Deposits and other borrowings	**71,440**	**-**	**-**	**-**	**-**	**71,440**	**71,497**
Due to subsidiaries	**28,118**	**5,650**	**-**	**-**	**-**	**33,768**	**33,933**
Due to Immediate Parent Company	**939**	**-**	**-**	**-**	**-**	**939**	**939**
Derivative financial instruments[1]	**-**	**-**	**10,112**	**140**	**-**	**10,252**	**10,252**
Bonds and notes	**2,687**	**-**	**-**	**-**	**-**	**2,687**	**2,759**
Loan capital	**1,144**	**-**	**-**	**-**	**-**	**1,144**	**1,044**
Other financial liabilities	**952**	**-**	**139**	**-**	**-**	**1,091**	**1,091**
Total financial liabilities	**106,794**	**5,650**	**10,254**	**140**	**-**	**122,838**	**123,032**
30/09/2012							
Liquid assets	2,815	-	-	-	-	2,815	2,815
Due from other financial institutions	1,622	-	-	-	100	1,722	1,722
Trading securities	-	-	12,338	-	-	12,338	12,338
Derivative financial instruments[1]	-	-	12,311	477	-	12,788	12,788
Available-for-sale assets	-	-	-	-	54	54	54
Net loans and advances[2]	84,319	-	-	-	-	84,319	84,501
Due from subsidiaries	6,552	5,067	-	-	-	11,619	11,632
Other financial assets	535	-	-	-	-	535	535
Total financial assets	95,843	5,067	24,649	477	154	126,190	126,385
Due to other financial institutions	1,500	-	55	-	-	1,555	1,555
Deposits and other borrowings	66,731	-	-	-	-	66,731	66,815
Due to subsidiaries[2]	32,966	4,974	-	-	-	37,940	38,095
Due to Immediate Parent Company	740	-	-	-	-	740	740
Derivative financial instruments[1]	-	-	13,766	164	-	13,930	13,930
Bonds and notes	2,500	-	-	-	-	2,500	2,596
Loan capital	1,168	-	-	-	-	1,168	1,030
Other financial liabilities	958	-	107	-	-	1,065	1,065
Total financial liabilities	106,563	4,974	13,928	164	-	125,629	125,826

1 Derivative financial instruments classified as held for trading include derivatives entered into as economic hedges which are not designated as accounting hedges.

2 Fair value hedging is applied to certain financial assets within loans and advances and certain financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

Notes to the Financial Statements

Estimation of fair value

Liquid assets, due from / to other financial institutions and balances with related parties

Where these financial instruments are short-term in nature, defined as those that reprice or mature in 90 days or less, or are receivable on demand, the carrying values are considered to approximate the fair values. When longer term in nature, fair value is based on quoted market prices, or for those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of that debt instrument.

Trading securities, derivative financial instruments and available for sale assets

Fair value is based on quoted market prices, or broker or dealer price quotations. If this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

Net loans and advances

Fair value has been estimated through discounting future cash flows. For fixed rate loans and advances, the discount rate applied incorporates changes in wholesale market rates, the Banking Group's cost of wholesale funding and movements in customer margin. For floating rate loans, only changes in wholesale market rates and the Banking Group's cost of wholesale funding are incorporated in the discount rate. For variable rate loans where the Banking Group sets the applicable rate at its discretion, the carrying value is considered to approximate the fair value.

Other financial assets / liabilities

Included in this category are accrued interest and fees receivable / payable. For these balances the carrying value is considered to approximate the fair values, as they are short term in nature or are receivable / payable on demand.

Deposits and other borrowings

For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows. The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

Certain items included in deposits and other borrowings have been designated as financial liabilities at fair value through profit or loss and are carried at fair value.

Bonds and notes and loan capital

The aggregate fair value of bonds and notes and loan capital is calculated based on quoted market prices. For those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument is used.

Valuation hierarchy

In determining the carrying amount of financial instruments held at fair value the Banking Group uses a valuation method within the following hierarchy:

"Level 1" - Quoted market price

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

"Level 2" - Valuation technique using observable inputs

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

"Level 3" - Valuation technique with significant non observable inputs

The majority of valuation techniques employ only observable market data. However, the Banking Group holds some investments in unlisted funds or other investments which do not trade in an active market. For these instruments the fair value cannot be determined in whole with reference to current market transactions or valuation techniques whose variables only include data from observable markets. Where observable market data is not available, the fair value is determined using broker quotes or valuation techniques, including discounted cash flow analysis, using data derived and extrapolated from market data and tested against historic transactions and observed market trends.

Notes to the Financial Statements

Valuation hierarchy	**Banking Group**				**Bank**			
$millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30/09/2013								
Due from other financial institutions	**160**	**-**	**-**	**160**	**160**	**-**	**-**	**160**
Trading securities	**10,208**	**112**	**-**	**10,320**	**10,207**	**112**	**-**	**10,319**
Derivative financial instruments	**2**	**9,516**	**-**	**9,518**	**2**	**9,520**	**-**	**9,522**
Available-for-sale assets	**780**	**-**	**2**	**782**	**780**	**-**	**-**	**780**
Due from subsidiaries	**-**	**-**	**-**	**-**	**-**	**5,778**	**-**	**5,778**
Other financial assets	**140**	**32**	**-**	**172**	**-**	**-**	**-**	**-**
Total financial assets held at fair value	**11,290**	**9,660**	**2**	**20,952**	**11,149**	**15,410**	**-**	**26,559**
Due to other financial institutions	**3**	**-**	**-**	**3**	**3**	**-**	**-**	**3**
Deposits and other borrowings	**-**	**4,765**	**-**	**4,765**	**-**	**-**	**-**	**-**
Due to subsidiaries	**-**	**-**	**-**	**-**	**-**	**5,650**	**-**	**5,650**
Derivative financial instruments	**6**	**10,237**	**-**	**10,243**	**6**	**10,246**	**-**	**10,252**
Other financial liabilities	**139**	**-**	**-**	**139**	**139**	**-**	**-**	**139**
Total financial liabilities held at fair value	**148**	**15,002**	**-**	**15,150**	**148**	**15,896**	**-**	**16,044**
30/09/2012								
Due from other financial institutions[1]	100	-	-	100	100	-	-	100
Trading securities[1]	12,228	110	-	12,338	12,228	110	-	12,338
Derivative financial instruments	2	12,751	-	12,753	2	12,786	-	12,788
Available-for-sale assets	13	42	2	57	13	41	-	54
Due from subsidiaries	-	-	-	-	-	5,067	-	5,067
Other financial assets[1]	83	58	1	142	-	-	-	-
Total financial assets held at fair value	12,426	12,961	3	25,390	12,343	18,004	-	30,347
Due to other financial institutions	55	-	-	55	55	-	-	-
Deposits and other borrowings	-	5,445	-	5,445	-	-	-	-
Due to subsidiaries	-	-	-	-	-	4,974	-	4,974
Derivative financial instruments	4	13,926	-	13,930	4	13,926	-	13,930
Other financial liabilities	107	-	-	107	107	-	-	107
Total financial liabilities held at fair value	166	19,371	-	19,537	166	18,900	-	19,011

1 Due from other financial institutions of $100 million, Trading securities of $4,629 million and Other financial assets of $80 million have been reclassified from Level 2 to Level 1 because they were valued using quoted market prices.

Movements in level 3 valuations

	Banking Group		**Bank**	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Opening balance	**3**	6	**-**	-
Revaluations	**-**	(3)	**-**	-
Sales	**(1)**	-	**-**	-
Closing balance	**2**	3	**-**	-

Notes to the Financial Statements

33. Notes to the Cash Flow Statement

$ millions	Banking Group Year to 30/09/2013	Banking Group Year to 30/09/2012	Bank Year to 30/09/2013	Bank Year to 30/09/2012
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities				
Profit after income tax	**1,374**	1,325	**1,579**	1,220
Non-cash items:				
Depreciation and amortisation	**98**	89	**68**	45
Provision for credit impairment	**63**	193	**56**	187
Deferred fee revenue and expenses	**4**	14	**2**	12
Amortisation of capitalised brokerage / mortgage origination fees	**43**	25	**43**	25
Amortisation of premiums and discounts	**181**	235	**181**	235
Fair value gains and losses	**(114)**	(254)	**(108)**	(259)
Loss on disposal and impairment of premises and equipment and intangibles	**6**	13	**2**	2
Reversal of impairment of investment in subsidiary	**-**	-	**(181)**	-
Deferrals or accruals of past or future operating cash receipts or payments:				
Change in net operating assets less liabilities	**1,192**	(2,545)	**(3,299)**	(2,723)
Change in interest receivable	**(11)**	(13)	**(21)**	(21)
Change in interest payable	**(86)**	(43)	**(62)**	(34)
Change in accrued income	**-**	(3)	**-**	(2)
Change in accrued expenses	**(5)**	4	**(23)**	4
Change in provisions	**(110)**	20	**(105)**	21
Change in insurance policy assets	**2**	(101)	**-**	-
Change in other receivables and payables	**(34)**	(8)	**(48)**	10
Change in net income tax assets / liabilities	**102**	20	**104**	(64)
Items classified as investing / financing:				
Gain on disposal of associates	**-**	(4)	**-**	(4)
Gain on disposal of subsidiaries (excluding disposal costs)	**(28)**	-	**(51)**	-
Net cash flows provided by / (used in) operating activities	**2,677**	(1,033)	**(1,863)**	(1,346)

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Reconciliation of cash and cash equivalents to the balance sheet				
Liquid assets	**2,496**	2,831	**2,495**	2,815
Due from other financial institutions - less than 90 days	**365**	424	**365**	424
Total cash and cash equivalents	**2,861**	3,255	**2,860**	3,239

34. Commitments

$ millions	Banking Group 30/09/2013	Banking Group 30/09/2012	Bank 30/09/2013	Bank 30/09/2012
Contracts for outstanding capital expenditure				
Not later than 1 year	**24**	43	**24**	42
Total capital expenditure commitments	**24**	43	**24**	42
Future minimum lease payments under non-cancellable operating leases				
Not later than 1 year	**73**	81	**72**	73
Later than 1 year but not later than 5 years	**167**	139	**166**	124
Later than 5 years	**165**	92	**165**	89
Total lease rental commitments	**405**	312	**403**	286
Total commitments	**429**	355	**427**	328

Notes to the Financial Statements

35. Credit Related Commitments, Guarantees and Contingent Liabilities

	Banking Group		Bank	
	Face or contract value		Face or contract value	
$ millions	**30/09/2013**	30/09/2012	**30/09/2013**	30/09/2012
Credit related commitments				
Commitments with certain drawdown due within one year	**817**	742	**817**	742
Commitments to provide financial services	**24,446**	24,698	**26,886**	25,039
Total credit related commitments	**25,263**	25,440	**27,703**	25,781
Guarantees and contingent liabilities				
Financial guarantees	**997**	731	**997**	731
Standby letters of credit	**32**	44	**32**	44
Transaction related contingent items	**1,059**	913	**1,059**	913
Trade related contingent liabilities	**113**	117	**112**	116
Total guarantees and contingent liabilities	**2,201**	1,805	**2,200**	1,804

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other contingent liabilities

In October 2012, the Commerce Commission commenced an investigation, under the Fair Trading Act 1986, into the promotion and sale of interest rate swaps by certain banks (including the Bank) to rural customers. The investigation is ongoing and the possible outcome of the investigation cannot be determined with any certainty at this stage.

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

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

36. Securitisation, Funds Management, Other Fiduciary Activities and Insurance

Securitisation

Kingfisher NZ Trust 2008-1 ("the Kingfisher Trust")

The Banking Group has established the Kingfisher Trust as an in-house residential mortgage backed securities facility that can issue securities meeting the RBNZ criteria to use as collateral in repurchase transactions with the RBNZ.

These assets do not qualify for derecognition as the Bank retains substantially all of the risks and rewards of the transferred assets.

As at 30 September 2013 and 30 September 2012 the Banking Group had not entered into any repurchase agreements with the RBNZ for residential mortgage backed securities and therefore no collateral had been accepted by the RBNZ under this facility.

ANZNZ Covered Bond Trust ("the Covered Bond Trust")

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

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

Assets transferred to the Kingfisher Trust and the Covered Bond Trust

The Bank has purchased securities issued by both the Kingfisher Trust and the Covered Bond Trust in exchange for the transfer of the rights to the cash flows associated with the identified residential mortgages. The residential mortgages continue to be recognised by the Bank because they do not qualify for derecognition. The following table sets out the carrying values of the residential mortgages transferred by the Bank to these special purpose entities and the associated liabilities to deliver the cashflows on those instruments.

Notes to the Financial Statements

$ millions	Bank[1] 30/09/2013	30/09/2012
Securitisations[2]		
Carrying amount of assets transferred	**5,823**	5,102
Carrying amount of associated liabilities	**5,823**	5,127
Covered Bonds		
Carrying amount of assets transferred	**5,857**	4,977
Carrying amount of associated liabilities	**5,857**	4,977

[1] There are no balances for the Banking Group as the balances for the Bank relate to transfers to internal special purpose entities.
[2] The securitisation liabilities have recourse only to the pool of residential mortgages which have been securitised. The fair value of securitised assets is $5,823 million (30/09/2012 $5,127 million). The fair value of the associated liabilities is $5,823 million (30/09/2012 $5,127 million). The net position is nil (30/09/2012 nil).

Funds management and other fiduciary activities

Funds management

Certain subsidiaries of the Bank act as trustee and/or manager for a number of unit trusts and investment and superannuation funds. The Banking Group provides private banking services to a number of clients, including investment advice and portfolio management. The Banking Group is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

As funds under management are not controlled by the Banking Group, they are not included in these financial statements. The Banking Group derives fee and commission income from the sale and management of investment funds and superannuation bonds, unit trusts and the provision of private banking services to a number of clients. The Banking Group derives commission income from the sale of third party funds management products.

Some funds under management are invested in products owned or securities issued by the Banking Group and are recorded as liabilities in the balance sheet. At 30 September 2013, $3,054 million of funds under management were invested in the Banking Group's own products or securities (30/09/2012 $3,114 million).

Custodial services

The Banking Group provides custodial services to customers in respect of assets that are beneficially owned by those customers.

Funds managed and held in custody by the Banking Group $ millions	Banking Group 30/09/2013	30/09/2012
Funds managed by ANZ New Zealand Investments Limited (formerly OnePath (NZ) Limited)	**8,242**	7,324
The Bonus Bonds Trust	**3,259**	3,188
Other discretionary funds	**5,451**	5,173
Total funds under management	**16,952**	15,685
Funds held in custody on behalf of customers	**6,365**	5,784

Provision of financial services

Financial services provided by the Banking Group to entities which are involved in trust, custodial, funds management and other fiduciary activities are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value. The Banking Group does not have any affiliated insurance entities or affiliated insurance groups that are not members of the Banking Group.

Except for standard lending facilities provided in the normal course of business on arm's length terms, the Banking Group has not provided any funding to entities where trust, custodial, funds management or other fiduciary activities are established, marketed and/or sponsored by a member of the Banking Group (30/09/2012 $nil).

Insurance business

The Banking Group conducts an insurance business through its subsidiaries OnePath Life (NZ) Limited and its subsidiary OnePath Insurance Services (NZ) Limited (together "OnePath Insurance"), the assets, liabilities and operations of which are fully consolidated into the Banking Group. OnePath Insurance provides a range of risk transfer insurance products, including life, lump sum trauma/disablement, income protection and medical cover. In addition, other entities within the Banking Group market and distribute a range of insurance products which are underwritten by OnePath Insurance, or by third party insurance companies.

The aggregate insurance business conducted by OnePath Insurance comprises assets totalling $779 million (30/09/2012: $766 million), which is 0.6% (30/09/2012: 0.6%) of the total consolidated assets of the Banking Group.

Risk management

The Bank and subsidiaries of the Bank participating in the activities identified above have in place policies and procedures to ensure that those activities are conducted in an appropriate manner. Should adverse conditions arise, it is considered that these policies and procedures will minimise the possibility that these conditions will adversely impact the Bank or the Banking Group. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management.

Directorate and Auditors

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Directors' interests

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the following procedures are adopted:

a. At least once in each year, Directors are requested to complete, in terms of section 140(1) of the Companies Act 1993, a disclosure of any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.

b. Directors are also requested to make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993. In addition, they are requested to initiate a review of that disclosure if there are any significant alterations which occur subsequently during the period.

In addition to the written disclosures referred to above, Directors disclose relevant interests which they have before discussion of particular business items.

The Companies Act 1993 allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. However, the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

Transactions with Directors

No Director has disclosed that he/she or any immediate relative or professional associate has any dealing with the Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties as a Director of the Bank.

Board Members as at 18 November 2013

Independent Non-Executive Director and Chairman

John Frederick Judge
B Com, FCA
Company Director
Auckland, New Zealand

Mr Judge is the Chair of the Remuneration Committee and a member of the Audit Committee and the Risk Committee.

Other directorships: Aquatx Holdings Limited, Biotelliga Limited, Biotelliga Holdings Limited, Biotelliga Nominees Limited, CIC28 Biotech Limited, Fletcher Building Limited, Fletcher Building Industries Limited, Janohn Limited, Sebca Limited, John Judge Limited, Health TV Limited, Sails Friday Limited.

Executive Director

David Duncan Hisco
B Bus, MBA
Chief Executive, ANZ Bank New Zealand Limited
Auckland, New Zealand

Other directorships: ANZ Holdings (New Zealand) Limited.

Non-Executive Directors

Shayne Cary Elliott
B Com
Chief Financial Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Mr Elliott is a member of the Risk Committee and the Audit Committee.

Other directorships: ANZ Holdings (New Zealand) Limited, AMMB Holdings Berhad.

Michael Roger Pearson Smith, OBE
BSc (Hons) (City Lond), Hon LLD (Monash)
Chief Executive Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Mr Smith is a member of the Remuneration Committee.

Other directorships: Australia and New Zealand Banking Group Limited, The Financial Markets Foundation for Children, The Institute of International Finance Inc, Financial Literacy Australia Limited, Financial Literacy Board, Chairman of the Australian Bankers Association Incorporated.

Directorate and Auditors

Independent Non-Executive Directors

Antony John Carter
BE (Hons), ME, FNZIM
Company Director
Auckland, New Zealand

Mr Carter is the Chair of the Risk Committee and a member of the Audit Committee and the Remuneration Committee.

Other directorships: Air New Zealand Limited, Avonhead Mall Limited, Blues Management Limited, Fletcher Building Limited, Fisher & Paykel Healthcare Corporation Limited, Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, Fletcher Building Industries Limited, Loughborough Investments Limited, Modern Merchants Limited, The New Zealand Initiative Limited, Strategic Interchange Limited, Tetrad Corporation Limited.

Mark John Verbiest
LLB, MInstD
Company Director
Wanaka, New Zealand

Mr Verbiest is the Chair of the Audit Committee and a member of the Remuneration Committee and the Risk Committee.

Other directorships: Bear Fund NZ Limited, Freightways Limited, Telecom Corporation of New Zealand Limited, Transpower New Zealand Limited, Willis Bond Capital Partners Limited, Willis Bond General Partner Limited.

Joan Withers
MBA, AFInstD
Company Director
Auckland, New Zealand

Ms Withers is a member of the Remuneration Committee, the Risk Committee and the Audit Committee.

Other directorships: Mighty River Power Limited, Television New Zealand Limited.

Auditors

KPMG

Chartered Accountants
10 Customhouse Quay
P O Box 996
Wellington, New Zealand

Conditions of Registration

Conditions of Registration, applicable as at 30 September 2013. These Conditions of Registration have applied from 30 June 2013, except as provided otherwise.

The registration of ANZ Bank New Zealand Limited ("the bank") as a registered bank is subject to the following conditions:

1. That-

   (a) the Total capital ratio of the banking group is not less than 8 percent;

   (b) the Tier 1 capital ratio of the banking group is not less than 6 percent;

   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5 percent; and

   (d) the Total capital of the banking group is not less than $30 million; and

   (e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated May 2013 is followed for the recognition and repayment of capital.

   For the purposes of this condition of registration,-

   the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated May 2013 is 1.06.

   "Total capital ratio", "Tier 1 capital ratio", "Common Equity Tier 1 capital ratio", and "Total capital" must be calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated May 2013.

1A. That-

   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;

   (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated May 2013; and

   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the banking group complies with all requirements set out in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated May 2013.

1C. 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.

   For the purposes of this condition of registration,-

   "buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated May 2013.

   the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated May 2013 is 1.06.

   This condition of registration applies on and after 1 January 2014.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

   In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

   (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the banking group's insurance business

   (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such

Conditions of Registration

products or assets must be considered part of the insurance business.

For the purposes of this condition of registration;

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit Rating of the bank[1]	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

[1] This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the banking group's tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated May 2013.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;

(b) the majority of the board members must be non-executive directors;

(c) at least half of the board members must be independent directors;

(d) an alternate director,—

(i) for a non-executive director must be non-executive; and

(ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the bank must be independent; and

(g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

(a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

(b) the committee must have at least three members;

(c) every member of the committee must be a non-executive director of the bank;

(d) the majority of the members of the committee must be independent; and

(e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the bank that are carried on by a person other than the bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the bank or of a service provider to the bank, the following outcomes:

(a) that the bank's clearing and settlement obligations due on a day can be met on that day;

(b) that the bank's financial risk positions on a day can be identified on that day;

(c) that the bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

Conditions of Registration

(d) that the bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

For the purposes of this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006.

12. That:

(a) the business and affairs of the bank are managed by, or under the direction and supervision of, the board of the bank;

(b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the bank; and

(c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

(c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated March 2011 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and

(d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,-

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person-

(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That-

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

17. That the registered bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the registered bank can-

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager-

Conditions of Registration

(i) all liabilities are frozen in full; and

(ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a *de minimus* to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers' access to some or all of their residual frozen funds.

18. That the registered bank has an Implementation Plan that-

(a) is up-to-date; and

(b) demonstrates that the registered bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17).

19. That the registered bank has a compendium of liabilities that-

(a) at the product-class level lists all liabilities, indicating which are-

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

20. That on an annual basis the registered bank tests all the component parts of its OBR solution that demonstrates the registered bank's prepositioning for Open Bank Resolution as specified in their Implementation Plan.

For the purposes of this condition of registration, "*de minimus*", "partial freeze", "customer liability account", "frozen and unfrozen funds", "Implementation Plan", "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank document entitled "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2013.

In these conditions of registration:

"banking group" means ANZ Bank New Zealand Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993.

Changes to conditions of registration effective 1 October 2013

The above conditions of registration have been amended effective 1 October 2013 to update cross-references to updated versions of the RBNZ documents BS2B, BS8 and BS17 and to add the following conditions restricting high loan-to-valuation residential mortgage lending:

21. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

22. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

23. That the bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

24. That the bank must not provide a residential mortgage loan if the residential property to be mortgaged to the bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

25. That the bank must not act as broker or arrange for a member of its banking group to provide a residential mortgage loan.

In conditions of registration 21 to 25,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated September 2013:

"loan-to-valuation measurement period" means—

(a) the six calendar month period ending on the last day of March 2014; and

(b) thereafter a period of three calendar months ending on the last day of the third calendar month, the first of which ends on the last day of April 2014.

Directors' Statement

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

(i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013;

(ii) The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2013, after due enquiry, each Director believes that:

(i) ANZ Bank New Zealand Limited has complied with all the Conditions of Registration;

(ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;

(iii) ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on 18 November 2013. On that date, the Directors of the Bank were:

Antony Carter

Shayne Elliott

David Hisco

John Judge

Michael Smith, OBE

Mark Verbiest

Joan Withers

KPMG

Independent Auditor's Report

To the Shareholder of ANZ Bank New Zealand Limited

Report on the Bank and Banking Group Disclosure Statement

We have audited the accompanying financial statements and supplementary information of ANZ Bank New Zealand Limited ("the Bank") (formerly ANZ National Bank Limited) and its subsidiaries ("the Banking Group") on pages 4 to 70 of the Disclosure Statement. The financial statements comprise the balance sheets as at 30 September 2013, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the Bank and the Banking Group. The supplementary information comprises the information that is required to be disclosed under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013 (the "Order").

Directors' Responsibility for the Disclosure Statement

The Directors are responsible for the preparation of the Bank and Banking Group Disclosure Statement, including financial statements prepared in accordance with Clause 24 of the Order and generally accepted accounting practice in New Zealand, and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the Bank and Banking Group financial statements that are free from material misstatement whether due to fraud or error.

The Directors are responsible for the preparation and fair presentation of supplementary information, in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order.

Auditor's Responsibility

Our responsibility is to express an opinion on the Disclosure Statement, including the financial statements prepared in accordance with Clause 24 of the Order and the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Bank and Banking Group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Bank and Banking Group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank and Banking Group's preparation of the financial statements that gives a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and Banking Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has provided other services to the Bank and Banking Group in relation to audit related services. Partners and employees of our firm may also deal with the Bank and Banking Group within the ordinary course of the business of the Bank and Banking group. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the Bank and Banking Group. These matters have not impaired our independence as auditors of the Bank and Banking Group. The firm has no other relationship with, or interest in, the Bank or Banking Group.

Opinion on the Disclosure Statement

In our opinion the Disclosure Statement of the Bank and the Banking Group on pages 4 to 70 (excluding the supplemental information):

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and
- gives a true and fair view of the financial position as at 30 September 2013 and of their financial performance and cash flows for the year ended on that date.

Opinion on Supplementary Information

In our opinion, the supplementary information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, and is included within notes 14, 15, 28, 29, 31, and 36 of the Disclosure Statement:

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the Bank and Banking Group; and
- fairly states the matters to which it relates in accordance with those Schedules.

Report on Supplementary Information Relating to Capital Adequacy

We have reviewed the Supplementary Information relating to Capital Adequacy, as disclosed in note 28 of the Disclosure Statement for the year ended 30 September 2013.

Directors' Responsibility for the Supplementary Information Relating to Capital Adequacy

The Directors are responsible for the preparation of Supplementary Information relating to Capital Adequacy that is required to be disclosed under Schedule 11 of the Order.

Auditor's Responsibility

Our responsibility is to express an opinion on the supplementary information relating to Capital Adequacy based on our review. We conducted our review in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. Those standards require that we comply with ethical requirements and plan and perform the review to obtain limited assurance about whether the supplementary information relating to Capital Adequacy is, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration;
- prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- disclosed in accordance with Schedule 11 of the Order.

A review is limited primarily to enquiries of Bank and Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit in respect of the Capital Adequacy disclosures, and accordingly, we do not express an audit opinion on these disclosures.

Opinion on the Supplementary Information Relating to Capital Adequacy

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to capital adequacy prescribed by Schedule 11 of the Order, and disclosed in note 28 of the Disclosure Statement, is not, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration;
- prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- disclosed in accordance with Schedule 11 of the Order.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, and clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Bank and Banking Group, as far as appears from our examination of those records.

KPMG

Wellington
18 November 2013

Index

ANZ Bank New Zealand Limited
(formerly ANZ National Bank Limited)
Disclosure Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2012 | NUMBER 67 ISSUED NOVEMBER 2012

Disclosure Statement

For the year ended 30 September 2012

Contents

Glossary of Terms

In this Disclosure Statement unless the context otherwise requires:

(a) "Bank" means ANZ Bank New Zealand Limited;
(b) "Banking Group" means ANZ Bank New Zealand Limited and all its subsidiaries;
(c) "Immediate Parent Company" means ANZ Holdings (New Zealand) Limited;
(d) "Ultimate Parent Bank" means Australia and New Zealand Banking Group Limited;
(e) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its subsidiaries;
(f) "New Zealand business" means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
(g) "NZ Branch" means the New Zealand business of the Ultimate Parent Bank;
(h) "ANZ New Zealand" means the New Zealand business of the Overseas Banking Group;
(i) "Registered Office" is Level 10, 170-186 Featherston Street, Wellington, New Zealand, which is also the Banking Group's address for Service;
(j) "RBNZ" means the Reserve Bank of New Zealand;
(k) "APRA" means the Australian Prudential Regulation Authority;
(l) "the Order" means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2012; and
(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

General Matters

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

The Bank is incorporated under the Companies Act 1993. The Bank changed its name to ANZ Bank New Zealand Limited from ANZ National Bank Limited on 29 October 2012.

The Bank is wholly owned by its Immediate Parent Company and ultimately by the Ultimate Parent Bank. The Immediate Parent Company of the Bank is incorporated in New Zealand and owned by ANZ Funds Pty Limited and the Ultimate Parent Bank (both incorporated in Australia). The address for service for the Ultimate Parent Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

The Immediate Parent Company has the power under the Bank's Constitution to appoint any person as a Director of the Bank either to fill a casual vacancy or as an additional Director or to remove any person from the office of Director, from time to time by giving written notice to the Bank. No appointment of a new Director may occur unless the RBNZ confirms that it does not object to the appointment.

Material Financial Support

In accordance with requirements issued by APRA pursuant to its Prudential Standards, the Ultimate Parent Bank may not provide material financial support to the Bank contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
  - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in some cases approval) is required before entering exceptionally large exposures;
  - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank; and
- the level of exposure to the Bank not exceeding:
  - 50% on an individual exposure basis; and
  - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank)

  of the Ultimate Parent Bank's capital base.

General Disclosures

Additionally, the Ultimate Parent Bank may not provide material financial support in breach of the Australian Banking Act (1959). This requires APRA to exercise its powers and functions for the protection of a bank's depositors and in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia shall be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The Ultimate Parent Bank has not provided material financial support to the Bank contrary to any of the above requirements.

Credit Rating Information

As at 21 November 2012 the Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

The Bank's Credit Ratings are:

Rating Agency	**Current Credit Rating**	**Qualification**
Standard & Poor's	AA-	Outlook Stable
Moody's Investors Service	Aa3	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Changes in credit ratings over the last two years

On 27 May 2011, Moody's downgraded the Bank's long-term senior unsecured debt and deposit ratings from Aa2 outlook negative to Aa3 outlook stable. This followed a similar one notch downgrade on the Ultimate Parent Bank and other major Australian banks.

On 1 December 2011, Standard and Poor's downgraded the Bank's long-term senior unsecured debt and deposit ratings from AA outlook stable to AA- outlook stable. This followed a similar one notch downgrade on the Ultimate Parent Bank and other major Australian banks.

On 30 January 2012, Fitch changed the outlook on the Bank's long-term senior unsecured debt and deposit ratings from positive to negative. This occurred simultaneously to a similar change in the outlook of ratings of the Ultimate Parent Bank and other major Australian banks. This was followed by a change in outlook from negative to stable on 24 February 2012.

There were no other changes to the Bank's credit ratings or qualifications during the two years ended 30 September 2012.

The following table describes the credit rating grades available:

	Standard & Poor's	**Moody's Investors Service**	**Fitch Ratings**
The following grades display investment grade characteristics:			
Ability to repay principal and interest is extremely strong. This is the highest investment category.	**AAA**	**Aaa**	**AAA**
Very strong ability to repay principal and interest.	**AA**	**Aa**	**AA**
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	**A**	**A**	**A**
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	**BBB**	**Baa**	**BBB**
The following grades have predominantly speculative characteristics:			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	**BB**	**Ba**	**BB**
Greater vulnerability and therefore greater likelihood of default.	**B**	**B**	**B**
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	**CCC**	**Caa**	**CCC**
Highest risk of default.	**CC to C**	**Ca to C**	**CC to C**
Obligations currently in default.	**D**	**-**	**RD & D**

Credit ratings from Standard & Poor's and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

General Disclosures

Guarantors

Crown Wholesale Guarantee

As at the date of signing this Disclosure Statement the Banking Group has debt securities with a carrying value at 30 September 2012 of $205 million for which the Crown has issued a Guarantee Eligibility Certificate under the New Zealand Wholesale Funding Guarantee Facility ("Crown Wholesale Guarantee"), copies of which are available on the Treasury website treasury.govt.nz. The Treasury's address for service is Level 5, 1 The Terrace, Wellington. New Zealand.

The Crown Wholesale Guarantee was provided under the Crown Wholesale Funding Guarantee Deed entered into by the Crown and the Bank on 23 December 2008 and supplemented on 19 February 2009 ("Wholesale Deed"). The Government closed the Crown Wholesale Guarantee to new debt securities on 30 April 2010. The closure did not affect debt securities previously issued with the benefit of the Crown Wholesale Guarantee.

If a Guarantee Eligibility Certificate was issued in respect of debt securities, the Crown (subject to any special conditions specified in a Guarantee Eligibility Certificate and provided the debt securities are not varied, amended, waived, released, novated, supplemented, extended or restated in any respect without the prior written consent of the Crown) has irrevocably:

a) guaranteed the payment by the Bank of any liability of the Bank to pay principal and interest (excluding any penalty interest or other amount only payable following a default) in respect of the debt securities; and

b) undertaken that if the Bank does not pay any such liability on the date on which it becomes due and payable, the Crown shall, within five Business Days of a demand being made in accordance with the Wholesale Deed and following the expiry of any applicable grace period, pay such liability.

The Crown Wholesale Guarantee does not extend to debt securities held by a Related Party (as defined in the Wholesale Deed) of the Bank.

In the event of a claim made on the Crown, the Crown will only pay the interest and principal due to the holders of debt securities on the originally scheduled dates for payment of interest and principal.

The Crown's obligations in respect of any debt security terminate on the date falling 30 days after the earlier of:

a) the scheduled maturity date for the debt security under which the guaranteed liability arises; and

b) the date falling five years after the date of issue of the debt security under which the guaranteed liability arises,

unless valid demand has been made on the Crown prior to that time.

Any demand on the Crown in respect of debt securities for which the Crown has issued a Guarantee Eligibility Certificate must be made in the prescribed form and delivered by hand to the Minister of Finance, Parliament Buildings, Wellington, New Zealand or to one of the other addresses specified in the Wholesale Deed.

Further Information about the Crown Wholesale Guarantee

Further information about the Crown Wholesale Guarantee, including a copy of the Wholesale Deed, and any Guarantee Eligibility Certificate issued by the Crown in respect of the Bank, is available on The Treasury website at treasury.govt.nz.

Further information about the Crown, including a copy of its most recent audited financial statements can be obtained at treasury.govt.nz.

The Crown's foreign currency credit ratings are:

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

The Crown's domestic currency credit ratings are:

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

The Crown's credit ratings are available on the New Zealand Debt Management Office website nzdmo.govt.nz. On 22 November 2010 Standard & Poor's changed the outlook on the Crown's foreign currency credit rating from stable to negative. On 29 and 30 September 2011 Fitch and Standard & Poor's, respectively, downgraded the Crown's long term foreign currency ratings from AA+ (Outlook Negative) to AA (Outlook Stable) and its local currency ratings from AAA (Outlook Negative) to AA+ (Outlook Stable). There have been no other changes to the Crown's long-term foreign-currency and domestic debt credit ratings in the two years immediately before the date of signing this Disclosure Statement.

ANZNZ Covered Bond Trust

Certain debt securities ("Covered Bonds") issued by the Bank or its wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the "Covered Bond Guarantor"), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 30 September 2012 of $2,962 million, 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, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 37.

Summary of Financial Statements

$ millions	Banking Group **Year to 30/09/2012**	Year to 30/09/2011	Year to 30/09/2010	Year to 30/09/2009	Year to 30/09/2008
Interest income	**6,017**	6,179	5,876	7,345	9,857
Interest expense	**3,335**	3,620	3,457	4,892	7,568
Net interest income	**2,682**	2,559	2,419	2,453	2,289
Other operating income	**1,006**	856	744	663	1,124
Operating income	**3,688**	3,415	3,163	3,116	3,413
Operating expenses	**1,742**	1,686	1,565	1,477	1,444
Provision for credit impairment	**193**	178	436	874	302
Profit before income tax	**1,753**	1,551	1,162	765	1,667
Income tax expense	**428**	452	335	467	504
Profit after income tax	**1,325**	1,099	827	298	1,163
Dividends paid	**(1,150)**	(700)	(600)	(1,000)	-

$ millions	Banking Group **As at 30/09/2012**	As at 30/09/2011	As at 30/09/2010	As at 30/09/2009	As at 30/09/2008
Total impaired assets	**1,366**	1,726	2,004	1,178	327
Total assets	**121,449**	121,440	116,458	117,891	122,915
Total liabilities	**110,517**	110,615	106,012	107,803	113,108
Non-controlling interests	**-**	-	1	-	-
Equity	**10,932**	10,825	10,446	10,088	9,807

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

Income Statements

$ millions	Note	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Interest income	4	**6,017**	6,179	**6,292**	6,393
Interest expense	5	**3,335**	3,620	**3,964**	4,194
Net interest income		**2,682**	2,559	**2,328**	2,199
Net trading gains	4	**131**	228	**129**	175
Net funds management and insurance income	4	**298**	265	**69**	69
Other operating income	4	**573**	359	**839**	620
Share of associates' profit		**4**	4	**-**	-
Operating income		**3,688**	3,415	**3,365**	3,063
Operating expenses	5	**1,742**	1,686	**1,611**	1,528
Profit before provision for credit impairment and income tax		**1,946**	1,729	**1,754**	1,535
Provision for credit impairment	15	**193**	178	**187**	174
Profit before income tax		**1,753**	1,551	**1,567**	1,361
Income tax expense	6	**428**	452	**347**	329
Profit after income tax		**1,325**	1,099	**1,220**	1,032

Statements of Comprehensive Income

$ millions	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Profit after income tax	**1,325**	1,099	**1,220**	1,032
Unrealised gains recognised directly in equity	**46**	72	**49**	58
Realised losses / (gains) transferred to the income statement	**(95)**	(38)	**(99)**	4
Actuarial loss on defined benefit schemes	**(25)**	(64)	**(25)**	(64)
Income tax credit on items recognised directly in equity	**6**	11	**6**	3
Total comprehensive income for the year	**1,257**	1,080	**1,151**	1,033

Statements of Changes in Equity

Banking Group

$ millions	Ordinary share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interests	Total equity
As at 1 October 2010	6,943	58	102	3,342	10,445	1	10,446
Profit after income tax	-	-	-	1,099	1,099	-	1,099
Unrealised gains recognised directly in equity	-	21	51	-	72	-	72
Realised losses / (gains) transferred to the income statement	-	(42)	4	-	(38)	-	(38)
Actuarial loss on defined benefit schemes	-	-	-	(64)	(64)	-	(64)
Income tax credit / (expense) on items recognised directly in equity	-	9	(16)	18	11	-	11
Total comprehensive income for the year	-	(12)	39	1,053	1,080	-	1,080
Ordinary dividend paid	-	-	-	(700)	(700)	-	(700)
Movement in non-controlling interests	-	-	-	-	-	(1)	(1)
As at 30 September 2011	6,943	46	141	3,695	10,825	-	10,825
Profit after income tax	**-**	**-**	**-**	**1,325**	**1,325**	**-**	**1,325**
Unrealised gains recognised directly in equity	**-**	**34**	**12**	**-**	**46**	**-**	**46**
Realised gains transferred to the income statement	**-**	**(83)**	**(12)**	**-**	**(95)**	**-**	**(95)**
Actuarial loss on defined benefit schemes	**-**	**-**	**-**	**(25)**	**(25)**	**-**	**(25)**
Income tax credit on items recognised directly in equity	**-**	**-**	**-**	**6**	**6**	**-**	**6**
Total comprehensive income for the year	**-**	**(49)**	**-**	**1,306**	**1,257**	**-**	**1,257**
Ordinary dividend paid	**-**	**-**	**-**	**(1,150)**	**(1,150)**	**-**	**(1,150)**
As at 30 September 2012	**6,943**	**(3)**	**141**	**3,851**	**10,932**	**-**	**10,932**

Bank

$ millions	Ordinary share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interests	Total equity
As at 1 October 2010	6,943	39	102	2,787	9,871	-	9,871
Profit after income tax	-	-	-	1,032	1,032	-	1,032
Unrealised gains recognised directly in equity	-	7	51	-	58	-	58
Realised losses transferred to the income statement	-	-	4	-	4	-	4
Actuarial loss on defined benefit schemes	-	-	-	(64)	(64)	-	(64)
Income tax credit / (expense) on items recognised directly in equity	-	1	(16)	18	3	-	3
Total comprehensive income for the year	-	8	39	986	1,033	-	1,033
Ordinary dividend paid	-	-	-	(700)	(700)	-	(700)
As at 30 September 2011	6,943	47	141	3,073	10,204	-	10,204
Profit after income tax	**-**	**-**	**-**	**1,220**	**1,220**	**-**	**1,220**
Unrealised gains recognised directly in equity	**-**	**37**	**12**	**-**	**49**	**-**	**49**
Realised gains transferred to the income statement	**-**	**(87)**	**(12)**	**-**	**(99)**	**-**	**(99)**
Actuarial loss on defined benefit schemes	**-**	**-**	**-**	**(25)**	**(25)**	**-**	**(25)**
Income tax credit on items recognised directly in equity	**-**	**-**	**-**	**6**	**6**	**-**	**6**
Total comprehensive income for the year	**-**	**(50)**	**-**	**1,201**	**1,151**	**-**	**1,151**
Ordinary dividend paid	**-**	**-**	**-**	**(1,150)**	**(1,150)**	**-**	**(1,150)**
As at 30 September 2012	**6,943**	**(3)**	**141**	**3,124**	**10,205**	**-**	**10,205**

Balance Sheets

$ millions	Note	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Assets					
Liquid assets	8	2,831	2,455	2,815	2,443
Due from other financial institutions	9	1,722	4,629	1,722	4,629
Trading securities	10	12,338	9,466	12,338	9,466
Derivative financial instruments	11	12,753	15,635	12,788	15,678
Current tax assets		15	-	79	-
Available-for-sale assets	12	57	411	54	375
Net loans and advances	13	86,678	83,610	84,319	81,306
Due from subsidiaries	26	-	-	11,619	11,753
Investments backing insurance policy liabilities		142	97	-	-
Insurance policy assets		301	200	-	-
Investments in subsidiaries and associates	16	99	100	6,609	6,609
Other assets	17	592	863	611	883
Deferred tax assets	18	93	139	185	230
Premises and equipment		323	325	74	89
Goodwill and other intangible assets	19	3,505	3,510	3,317	3,298
Total assets		**121,449**	121,440	**136,530**	136,759
Interest earning and discount bearing assets		103,341	99,158	112,461	107,607
Liabilities					
Due to other financial institutions	20	1,759	3,711	1,555	3,711
Deposits and other borrowings	21	73,652	69,238	66,731	63,007
Due to subsidiaries	26	-	-	37,940	37,716
Due to Immediate Parent Company	26	740	174	740	174
Derivative financial instruments	11	13,930	15,118	13,930	15,118
Payables and other liabilities	22	1,685	2,654	1,469	2,461
Current tax liabilities		-	17	-	36
Provisions	23	339	309	292	271
Bonds and notes	24	17,244	17,406	2,500	2,073
Loan capital	25	1,168	1,988	1,168	1,988
Total liabilities		**110,517**	110,615	**126,325**	126,555
Net assets		**10,932**	10,825	**10,205**	10,204
Equity					
Ordinary share capital	28	6,943	6,943	6,943	6,943
Reserves		138	187	138	188
Retained earnings		3,851	3,695	3,124	3,073
Total equity		**10,932**	10,825	**10,205**	10,204
Interest and discount bearing liabilities		89,299	87,844	105,017	103,916

For and on behalf of the Board of Directors:

John Judge
Chairman
21 November 2012

David Hisco
Executive Director
21 November 2012

Cash Flow Statements

$ millions	Note	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Cash flows from operating activities					
Interest received		**5,991**	6,074	**6,262**	6,231
Dividends received		**4**	4	**205**	183
Net funds management & insurance income		**196**	203	**69**	69
Fees and other income received		**645**	671	**722**	751
Interest paid		**(3,301)**	(3,573)	**(3,921)**	(4,158)
Operating expenses paid		**(1,615)**	(1,631)	**(1,549)**	(1,439)
Income taxes paid		**(408)**	(226)	**(411)**	(155)
Cash flows from operating activities before changes in operating assets and liabilities		**1,512**	1,522	**1,377**	1,482
Net changes in operating assets and liabilities:					
Change in due from other financial institutions - term		**264**	447	**264**	359
Change in trading securities		**(3,761)**	(1,695)	**(3,770)**	(1,751)
Change in derivative financial instruments		**2,000**	(1,329)	**1,723**	(1,635)
Change in available-for-sale assets		**391**	1,745	**361**	1,697
Change in insurance investment assets		**(44)**	(10)	**-**	-
Change in loans and advances		**(5,777)**	(39)	**(5,714)**	(122)
Proceeds from sale of loans and advances to NZ Branch		**2,397**	1,915	**2,397**	1,915
Change in due from subsidiaries		**-**	-	**134**	(2,710)
Change in due to subsidiaries		**-**	-	**370**	(79)
Change in other assets		**87**	166	**(16)**	167
Change in due to other financial institutions		**(1,952)**	1,531	**(2,156)**	1,531
Change in deposits and other borrowings		**3,813**	(1,570)	**3,647**	1,260
Change in payables and other liabilities		**37**	(55)	**37**	(236)
Net changes in operating assets and liabilities		**(2,545)**	1,106	**(2,723)**	396
Net cash flows provided by / (used in) operating activities	**34**	**(1,033)**	2,628	**(1,346)**	1,878
Cash flows from investing activities					
Proceeds from sale of shares in associates and joint venture		**5**	49	**4**	3
Proceeds from sale of intangible assets		**11**	20	**-**	-
Proceeds from redemption of shares in subsidiaries		**-**	-	**-**	819
Purchase of intangible assets		**(40)**	(54)	**(39)**	(52)
Purchase of premises and equipment		**(55)**	(65)	**(12)**	(24)
Net cash flows provided by / (used in) investing activities		**(79)**	(50)	**(47)**	746
Cash flows from financing activities					
Proceeds from issue of bonds and notes		**5,678**	3,992	**800**	800
Redemptions of bonds and notes		**(5,445)**	(3,687)	**(290)**	(490)
Redemptions of loan capital		**(816)**	(405)	**(816)**	(405)
Change in due to subsidiaries - term		**-**	-	**-**	11
Change in funding from Immediate Parent Company		**566**	180	**566**	180
Distributions to non-controlling interests		**-**	(1)	**-**	-
Dividends paid		**(1,150)**	(700)	**(1,150)**	(700)
Net cash flows used in financing activities		**(1,167)**	(621)	**(890)**	(604)
Net increase / (decrease) in cash and cash equivalents		**(2,279)**	1,957	**(2,283)**	2,020
Cash and cash equivalents at beginning of the year		**5,534**	3,577	**5,522**	3,502
Cash and cash equivalents at end of the year	**34**	**3,255**	5,534	**3,239**	5,522

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Order. The Bank's financial statements are for ANZ Bank New Zealand Limited as a separate entity and the Banking Group's financial statements are for the Bank's consolidated group, which includes subsidiaries, associates and joint ventures.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(ii) Use of estimates and assumptions

Preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, are covered in Note 2. Such estimates will require review in future periods.

(iii) Basis of measurement

The financial statements have been prepared in accordance with the historical cost basis except that the following assets and liabilities are stated at their fair value:

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

Insurance policy assets are measured using the Margin on Services model, and defined benefit obligations are measured using the Projected Unit Credit method.

(iv) Changes in accounting policies and application of new accounting standards

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the prior period. The Banking Group has applied, where relevant, all new or revised NZ IFRSs and NZ IFRS Interpretations applicable to the year ended 30 September 2012. The initial application of these standards and interpretations has only resulted in changes to disclosures.

(v) Rounding

The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vi) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. This includes reclassifying:

- collateral received of $1,475 million from derivative financial instruments asset to due to other financial institutions;
- collateral paid of $944 million from derivative financial instruments liability to due from other financial institutions.

The comparative figures in the cash flow statements and notes to the financial statements relating to these items have reclassified accordingly.

(vii) Principles of consolidation

Subsidiaries

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries where it is determined that there is capacity to control.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All of the facts of a particular situation are considered when determining whether control exists. Control is usually present when an entity has:

- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

In addition, potential voting rights that are presently exercisable or convertible are taken into account in determining whether control exists.

In relation to special purpose entities control is deemed to exist where:

- in substance, the majority of the residual risks and rewards from their activities accrue to the Banking Group; or
- in substance, the Banking Group controls decision making powers so as to obtain the majority of the risks and rewards from their activities.

Where subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

Notes to the Financial Statements

Associates and joint ventures

The Banking Group adopts the equity method of accounting for associates and the Banking Group's interest in joint ventures.

The Banking Group's share of results of associates and joint ventures is included in the consolidated income statement. Shares in associates and joint venture entities are carried in the consolidated balance sheet at cost plus the Banking Group's share of post acquisition net assets. Interests in associates and joint ventures are reviewed for any indication of impairment at least at each reporting date. This impairment review may use a discounted cash flow methodology and other methodologies to determine the reasonableness of the valuation.

In the Bank's financial statements investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses.

(viii) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Banking Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Banking Group's financial statements are presented in New Zealand dollars, which is the Banking Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the income statement in the period in which they arise.

Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss on these items.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in the available-for-sale revaluation reserve in equity.

(b) Income recognition

Income is recognised to the extent that it is probable that economic benefits will flow to the Banking Group and that revenue can be reliably measured.

(i) Interest income

Interest income is recognised as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis.

(ii) Fee and commission income

Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method. For example, loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn. Commitment fees to originate a loan which is unlikely to be drawn down are recognised as fee income as the service is provided.

Fees and commissions that relate to the execution of a significant act (for example, advisory services or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(iii) Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Gain or loss on sale of assets

The gain or loss on the disposal of assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognised as an item of other income in the period in which the significant risks and rewards of ownership are transferred to the buyer.

(c) Expense recognition

Expenses are recognised in the income statement on an accruals basis.

(i) Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method.

(ii) Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers and certain customer incentive payments in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the expected yield of the financial asset over its expected life using the effective interest method.

(iii) Lease payments

Leases entered into by the Banking Group as lessee are predominantly operating leases, and the

Notes to the Financial Statements

operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(d) Income tax

(i) Income tax expense

Income tax on earnings for the year comprises current and deferred tax and is based on the applicable tax law. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(iii) Deferred tax

Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credit can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the Banking Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

(iv) Offsetting

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

(e) Assets

Financial assets

(i) Financial assets and liabilities at fair value through profit or loss

Trading securities are financial instruments acquired principally for the purpose of selling in the short-term or which are a part of a portfolio which is managed for short-term profit-taking. Trading securities are initially recognised and subsequently measured in the balance sheet at their fair value.

Derivatives that are neither financial guarantee contracts nor effective hedging instruments are carried at fair value through profit or loss. In addition, certain financial assets and liabilities are designated and measured at fair value through profit or loss where the following applies:

- investments backing insurance policy liabilities;
- doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities, or recognising the gains or losses thereon, on different bases;
- a group of financial assets or financial liabilities or both is managed and its performance evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Changes in the fair value (gains or losses) of these financial instruments are recognised in the income statement in the period in which they occur.

Purchases and sales of trading securities are recognised on trade date.

(ii) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying price index or other variable, require little or no initial net investment and are settled at a later date. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are entered into for trading purposes (including customer-related reasons) or for hedging purposes (where the derivative instruments are used to hedge the Banking Group's exposures to interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions).

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement. Included in the determination of fair value of derivatives is a credit valuation adjustment to reflect the credit worthiness of the counterparty. The valuation adjustment is influenced by the mark-to-market of the derivative trades and by the movement in credit spreads.

Where the derivative is designated and is effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. These hedging designations and associated accounting are as follows:

Notes to the Financial Statements

Fair value hedge

Where the Banking Group hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the income statement. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged item, which are also recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement over the period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge

The Banking Group designates derivatives as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, a foreign exchange component of a firm commitment, or a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges is deferred to the hedging reserve, which forms part of shareholders' equity. Any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the period during which the hedged forecast transactions take place.

When the hedge expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting, the cumulative amount deferred in equity remains in the hedging reserve, and is subsequently transferred to the income statement when the hedged item is recognised in the income statement.

When a forecast hedged transaction is no longer expected to occur, the amount deferred in equity is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair value of derivatives that are not designated in a hedging relationship but are entered into to manage the interest rate and foreign exchange risk of funding instruments are recognised in the income statement. Under certain circumstances, the component of the fair value change in the derivative which relates to current period realised and accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

(iii) Available-for-sale assets

Available-for-sale assets comprise non-derivative financial assets which the Banking Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and include equity investments, certain loans and advances and quoted debt securities.

They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve. When the asset is sold, the cumulative gain or loss relating to the asset is transferred to the income statement.

Where there is objective evidence of impairment on an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in the income statement, as an impairment expense for debt instruments or as non-interest income for equity instruments. If, in a subsequent period, the amount of an impairment loss relating to an available-for-sale debt instrument decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the income statement through the impairment expense line.

Purchases and sales of available-for-sale financial assets are recognised on trade date, being the date on which the Banking Group commits to purchase or sell the asset.

(iv) Net loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Banking Group provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method, unless specifically designated on initial recognition at fair value through profit or loss.

All loans are graded according to the level of credit risk.

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills.

Impairment of loans and advances

Loans and advances are reviewed at least at each reporting date for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events, that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans) and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data such as changed economic conditions. The provision also takes account of the impact of inherent risk of large concentrated losses within the portfolio and an assessment of the economic cycle.

The estimated impairment losses are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of capitalised acquisition expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement for the reporting period is reflected in the income statement.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment. Unsecured facilities are normally written-off when they become 180 days past due or earlier in the event of the customer's bankruptcy or similar legal release from the obligation. However, a certain level of recoveries is expected after the write-off, which is reflected in the amount of the provision for credit losses. In the case of secured facilities, remaining balances are written-off after proceeds from the realisation of collateral have been received, if there is a shortfall.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the income statement.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

(v) Lease receivables

Contracts to lease assets and hire purchase agreements are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. All other lease contracts are classified as operating leases.

(vi) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the Banking Group, and a counterparty liability is disclosed under the classifications of due to other financial institutions or payables and other liabilities. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where the Banking Group does not acquire the risks and rewards of ownership, are recorded as receivables in liquid assets, net loans and advances, or due from other financial institutions, depending on the term of the agreement and the counterparty. The security is not included in the balance sheet. Interest income is accrued on the underlying loan amount.

Securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, at which point the obligation to repurchase is recorded as a financial liability at fair value with fair value movements included in the income statement.

(vii) Derecognition

The Banking Group enters into transactions where it transfers financial assets recognised on its balance sheet yet retains either all the risks and rewards of the transferred assets or a portion of them. If all, or substantially all, the risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

In transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Banking Group derecognises the asset if control over the asset is lost. In transfers where control over the asset is retained, the Banking Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The rights and obligations retained or created in the transfer are recognised separately as assets and liabilities as appropriate.

(viii) Investments backing insurance policy liabilities

Securities held to back insurance and investment contract liabilities are classified as insurance policy assets. These insurance policy assets are designated at fair value through profit or loss.

Non-financial assets

(ix) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control. Goodwill is recognised as an asset and not amortised, but is assessed for impairment at least annually or more frequently if there is an indication that the goodwill may be impaired. Where the assessment results in the goodwill balance exceeding the value of expected future benefits, the difference is charged to the income statement. Any impairment of goodwill is not subsequently reversed.

(x) Other intangible assets

Other intangible assets include costs incurred in acquiring and building software and computer systems ("software") and management rights and customer relationships acquired in business combinations.

Software is amortised using the straight-line method over its expected useful life to the Banking Group. The period of amortisation is between 3 and 5 years, except for certain core infrastructure projects where the useful life has been determined to be 7 or 10 years.

Management rights and customer relationships, including the value of in force insurance contracts, are initially measured at fair value. Management rights and customer relationships with a definite useful life are amortised over the expected useful life. Where management rights and customer relationships do not have finite terms and the cash flows associated with these management rights are expected to continue indefinitely, the intangible assets associated with these items are treated as having an indefinite useful life. Management rights and customer relationships with an indefinite useful life are not amortised.

At each reporting date, the software assets and other intangible assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement.

Notes to the Financial Statements

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

(xi) Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The calculation of borrowing costs is based on an internal measure of the costs associated with the borrowing of funds.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to the Banking Group, using the straight-line method. The depreciation rates used for each class of asset are:

Buildings	1.5%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5 % - 33%

Leasehold improvements are amortised on a straight-line basis over the shorter of their useful lives or remaining terms of the lease.

At each reporting date, the carrying amounts of premises and equipment are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement. If it is not possible to estimate the recoverable amount of an individual asset, the Banking Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(xii) Insurance policy assets / liabilities

Net insurance policy assets / liabilities include liabilities arising from life investment contracts and assets / liabilities arising from life insurance contracts.

Provisions for liabilities under life investment contracts are measured at fair value. The provision consists of a deposit component, being a financial instrument, which is recognised as an increase in investment contract liabilities, and an investment management services element. Fair value is determined as the net present value of fees, in respect of the investment management service, discounted at the risk free rate.

Life insurance contract assets / liabilities are determined using either a projection method or an accumulation method. Using a projection method, expected policy cash flows are projected into the future. The asset / liability is determined as the net present value of the expected cash flows. An accumulation method is used where the policy assets / liabilities determined are not materially different from those determined under the projection method.

Profits from life insurance contracts are brought to account using the Margin on Services model, under which profit is recognised as premiums are received and services are provided to policyholders. Where premiums are received but the service has not been provided, the profit is deferred. Losses are expensed when identified.

(f) Liabilities

Financial liabilities

(i) Deposits and other borrowings

Deposits and other borrowings include certificates of deposit, interest bearing deposits, debentures, commercial paper and other related interest and non-interest bearing financial instruments. Deposits and other borrowings, excluding commercial paper, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method. Commercial paper is designated at fair value through profit or loss, with fair value movements recorded directly in the income statement, which reflects the basis on which it is managed.

(ii) Bonds, notes and loan capital

Bonds, notes and loan capital are accounted for in the same way as deposits and other borrowings, except for those bonds and notes which are designated at fair value through profit or loss on initial recognition, with fair value movements recorded in the income statement.

(iii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received. Subsequent to initial recognition, the Banking Group's liabilities under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses.

(iv) Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Non-financial liabilities

(v) Employee leave benefits

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation. Expected future payments for long service leave are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(vi) Provisions

The Banking Group recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Notes to the Financial Statements

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) Equity

(i) Shares

Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

(ii) Non-controlling interests

Non-controlling interests represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Bank.

(iii) Reserves

Available-for-sale revaluation reserve

This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the income statement (in non-interest income) when the asset is derecognised. Where the asset is impaired, the changes are transferred to the impairment expense line in the income statement for debt instruments and in the case of equity instruments to non-interest income.

Cash flow hedging reserve

This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

(h) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as being effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

(ii) Offsetting of financial assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Statement of cash flows

For cash flow statement presentation purposes, cash and cash equivalents includes: cash on hand; deposits held at call with other financial institutions; and other short term, highly liquid, investments with original terms of maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Banking Group. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

(iv) Segment reporting

Operating segments are distinguishable components of the Banking Group that provide products or services that are subject to risks and rewards that are different to those of other operating segments. The Banking Group operates predominately in the banking industry within New Zealand. The Banking Group has very limited exposure to risk associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided.

(v) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

(i) Other

(i) Contingent liabilities

Contingent liabilities acquired in a business combination are individually measured at fair value at the acquisition date. At subsequent reporting dates the value of such contingent liabilities is reassessed based on the estimate of expenditure required to settle the contingent liability.

Other contingent liabilities are not recognised in the balance sheet but disclosed in Note 36 unless it is considered remote that the Banking Group will be liable to settle the possible obligation.

(ii) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Banking Group in these financial statements. The Banking Group currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

Standards and amendments effective for periods commencing after 1 January 2013

NZ IFRS 10 Consolidated Financial Statements
Establishes a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investors.

NZ IFRS 11 Joint Arrangements
Introduces a new approach to joint arrangements, which focuses on the rights and obligations of the

arrangement rather than its legal form, and requires the equity method of accounting for joint ventures.

NZ IFRS 12 Disclosure of Interests in Other Entities
Provides a single, consistent approach for disclosures of all interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

NZ IFRS 13 Fair Value Measurement
Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

NZ IAS 27 (2011) Separate Financial Statements
Carries forward the existing accounting and disclosure requirements for separate financial statements.

Standards and amendments effective for periods commencing after 1 January 2015

NZ IFRS 9 Financial Instruments
Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

2. Critical Estimates and Judgement Used in Applying Accounting Policies

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Banking Group, in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Critical accounting estimates and assumptions

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the Banking Group to assess impairment at least at each reporting date. The credit provisions raised (collective and individual) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Individual provisioning is applied when the full collectability of one of the Banking Group's loans is identified as being doubtful. Individual and collective provisioning is calculated using estimated future cash flows discounted to their present value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 15 for details of credit impairment provisions.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

Critical judgements in applying the Banking Group's accounting policies

Financial instruments at fair value

The Banking Group's financial instruments measured at fair value are stated in note 1(a)(iii). In estimating fair value the Banking Group uses, wherever possible, quoted market prices in an active market for the financial instrument.

In the event that there is no active market for the instrument, fair value is based on present value estimates or other market accepted valuation techniques. The valuation models incorporate the impact of bid/ask spread, counterparty credit spreads and other factors that would influence the fair value determined by a market participant. The selection of appropriate valuation techniques, methodology and inputs requires judgement. These are reviewed and updated as market practice evolves.

The majority of valuation techniques employ only observable market data. However, for certain financial instruments, the fair value cannot be determined with reference to current market transactions or valuation techniques whose variables only include data from observable markets. In respect of the valuation component where market observable data is not available, the fair value is determined using data derived and extrapolated from market data and tested against historic transactions and observed market trends. These valuations are based upon assumptions established by application of professional judgement to analyse the data available to support each assumption. Changing the assumptions changes the resulting estimate of fair value.

Derivatives and hedging

The Banking Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions.

A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that: (a) exposes the Banking Group to the risk of changes in fair value or future cash flows; and (b) is designated as being hedged.

Judgement is required in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 *Financial Instruments: Recognition and Measurement* does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The Banking Group adopts the hypothetical derivative approach to determine hedge effectiveness in line with current risk management strategies. Hedge ineffectiveness can arise for a number of reasons and whilst a hedge may pass the effectiveness tests above it may not be perfectly effective, leaving some volatility in the income statement.

Goodwill

Refer to Note 19 for details of goodwill held by the Banking Group.

The carrying value of goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable value at the balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment write down.

Goodwill has been allocated for impairment purposes to the cash generating units at which the goodwill is monitored for internal reporting purposes. Each of these cash generating units is represented by an individual reporting segment – Retail, Commercial, Wealth and Institutional. Refer to Note 7.

Impairment testing of purchased goodwill is performed annually, or more frequently where there is an indication that the goodwill may be impaired, by comparing the recoverable value of each cash generating unit with the current carrying amount of its net assets, including goodwill. Judgement is required in identifying the cash-generating units to which goodwill and other assets are allocated for the purpose of impairment testing.

The recoverable amount is based on value-in-use calculations. These calculations use cash flow projections based on a number of financial budgets within each segment approved by management covering a three year period. Cash flow projections are based on a range of readily available economic assumptions including GDP and CPI. Cash flows beyond the three year period are extrapolated using a 3% growth rate.

These cash flow projections are discounted using a capital asset pricing model. As at 31 March 2012 when the last valuation was prepared, a discount rate of 10.63% was applied to each segment. The main variables in the calculation of the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the regional banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each segment.

Management believes any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the Banking Group's carrying amount to exceed its recoverable amount.

Insurance policy assets

Insurance policy assets represent deferred policy acquisition costs less policy liabilities for life investment contracts and life insurance contracts. Policy liabilities are computed using statistical or mathematical methods, expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. Deferred policy acquisition costs are connected with the measurement basis of the policy liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are: the cost of providing the benefits and administering the contracts; mortality and morbidity experience; discontinuance rates; for life investment contracts, the amounts credited to policyholders' accounts compared to the returns on invested assets; interest rates; inflation; rates of taxation; and general market and economic conditions.

3. Risk Management Policies

The Banking Group recognises the importance of effective risk management to its business success. Management is committed to achieving strong control and a distinctive risk management capability that enables the Banking Group business units to meet their performance objectives.

The Banking Group approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk management division ("Risk Management") is independent of the business, with clear delegations from the Board, and operates within a comprehensive framework comprising:

- The Board providing leadership, setting risk appetite/strategy and monitoring progress;
- A strong framework for development and maintenance of Banking Group-wide risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- The use of sophisticated risk tools, applications and processes to execute the global risk management strategy across the Banking Group;
- Business unit level accountability, as the "first line of defence", for the management of risks in alignment with the Banking Group's strategy; and
- Independent oversight to ensure business unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The Banking Group manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering the Banking Group's response to emerging risk issues and trends, and that the requisite culture and practices are in place across the Banking Group, are conducted within the Banking Group and also by the Ultimate Parent Bank. The Board has responsibility for reviewing all aspects of risk management.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. The Bank's Risk Committee assists the Board in this function. The role of the Risk

Notes to the Financial Statements

Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, compliance, liquidity, product and reputational risk management, and to liaise and consult with the Ultimate Parent Bank Risk Committee as required. Risk Management, via the Chief Risk Officer, coordinates risk management activities directly between Business Unit risk functions and Ultimate Parent Bank Group Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the Ultimate Parent Bank Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

The Banking Group's risk management policies are essentially the same as the Ultimate Parent Bank, but are tailored where required to suit the local New Zealand regulatory and business environment.

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements and internal and external audit processes. The Audit Committee has a quorum of two directors, both of whom must be non-executive directors. It meets at least four times a year and reports directly to the Board.

Financial risk management

Refer to Note 30 for detailed disclosures on the Banking Group's financial risk management policies.

Operational Risk

Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the Banking Group's reputation.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Risk Management is responsible for establishing the Banking Group's operational risk framework and associated Banking Group-wide policies. Business units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

Business units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Retail and Wholesale Risk Committees. The Bank's Operational Risk Executive Committee ("OREC") undertakes the governance function through the bi-monthly monitoring of operational risk performance across the Banking Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

The Banking Group conducts its business in accordance with all relevant compliance requirements. In order to assist the Banking Group identify, manage, monitor and measure its compliance obligations, the Banking Group has a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with business unit staff ensure the Banking Group operates within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimise material risks to the Banking Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the identification and management of compliance. Risk Management provides policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. The Bank's OREC, the Chief Risk Officer, the Board and the Risk Committee of the Ultimate Parent Bank Board conduct board and executive oversight.

Global Internal Audit

Global Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Global Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor.

The Global Internal Audit Plan is developed utilising a risk based approach and is refreshed on a quarterly basis. The Audit Committee approves the plan, the associated budget and any changes thereto.

All audit activities are conducted in accordance with local and international auditing standards, and the results thereof are reported to the Audit Committee, Risk Committee and management. These results influence the performance assessment of business heads.

Furthermore, Global Internal Audit monitors the remediation of audit issues and highlights the current status of any outstanding audits.

Notes to the Financial Statements

4. Income

$ millions	Note	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Interest income					
Financial assets at fair value through profit or loss					
Trading securities		**446**	404	**446**	404
Due from subsidiaries		**-**	-	**262**	280
		446	404	**708**	684
Financial assets not at fair value through profit or loss					
Liquid assets		**67**	64	**66**	63
Other financial institutions		**38**	43	**32**	43
Available-for-sale assets		**8**	34	**5**	29
Lending on productive loans		**5,305**	5,410	**5,120**	5,235
Lending on impaired assets		**51**	76	**49**	73
Due from subsidiaries		**-**	-	**215**	122
Due from Immediate Parent Company		**-**	19	**-**	19
Other		**102**	129	**97**	125
		5,571	5,775	**5,584**	5,709
Total interest income		**6,017**	6,179	**6,292**	6,393
Net trading gains					
Net gain on foreign exchange trading		**144**	137	**142**	165
Net gain on trading securities		**101**	204	**101**	123
Net loss on trading derivatives		**(114)**	(113)	**(114)**	(113)
Net trading gains		**131**	228	**129**	175
Net funds management and insurance income					
Fee income on trust and other fiduciary activities		**63**	61	**27**	25
Other funds management and insurance income		**235**	204	**42**	44
Total funds management and insurance income		**298**	265	**69**	69
Other operating income					
Lending and credit facility fee income		**51**	41	**53**	42
Other fee income		**590**	593	**658**	629
Total fee income		**641**	634	**711**	671
Direct fee expense		**(186)**	(185)	**(186)**	(185)
Net fee income		**455**	449	**525**	486
Dividends received		**-**	-	**205**	185
Net gain / (loss) on financial assets designated at fair value		**-**	-	**(7)**	53
Net gain / (loss) on financial liabilities designated at fair value		**(1)**	2	**1**	2
Net gain / (loss) on hedges not qualifying for hedge accounting		**7**	(106)	**16**	(112)
Net ineffectiveness on qualifying fair value hedges	**11**	**(4)**	6	**(4)**	6
Net cash flow hedge gain / (loss) transferred to income statement		**12**	(4)	**12**	(4)
Net gain on available for sale equity securities transferred to income statement		**83**	-	**87**	-
Other income		**21**	12	**4**	4
Total other operating income		**573**	359	**839**	620

Notes to the Financial Statements

5. Expenses

$ millions	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Interest expense				
Financial liabilities at fair value through profit or loss				
Commercial paper	**174**	158	**-**	-
Due to subsidiaries	**-**	-	**359**	401
	174	158	**359**	401
Financial liabilities not at fair value through profit or loss				
Other financial institutions	**45**	29	**43**	29
Deposits and other borrowings	**2,184**	2,347	**2,040**	2,171
Due to subsidiaries	**-**	-	**1,231**	1,248
Bonds and notes	**782**	884	**142**	141
Immediate parent company	**7**	1	**7**	1
Loan capital	**134**	177	**134**	177
Other	**9**	24	**8**	26
	3,161	3,462	**3,605**	3,793
Total interest expense	**3,335**	3,620	**3,964**	4,194
Operating expenses				
Personnel costs	**804**	794	**739**	717
Employee entitlements	**77**	75	**72**	72
Pension costs				
- Defined contribution schemes	**35**	36	**34**	34
- Defined benefit schemes	**6**	6	**6**	6
Share-based payments expense	**20**	22	**20**	22
Building occupancy costs	**66**	41	**14**	4
Depreciation of premises and equipment	**55**	49	**26**	18
Leasing and rental costs	**85**	84	**14**	16
Related parties (Note 26)	**118**	93	**264**	210
Technology expenses	**144**	141	**128**	130
Impairment of intangibles and other assets	**11**	41	**1**	26
Amortisation of software and other intangible assets	**34**	25	**19**	13
Administrative expenses	**204**	216	**193**	190
Other costs	**83**	63	**81**	70
Total operating expenses	**1,742**	1,686	**1,611**	1,528

Operating expenses for the Bank and the Banking Group include costs of $192 million (30/09/2011 $162 million) incurred in relation to the New Zealand Simplification programme, including implementation of a single core banking system, a single bank brand and an optimised branch network.

$ thousands	Year to 30/09/2012	Year to 30/09/2011	Year to 30/09/2012	Year to 30/09/2011
Fees paid to principal auditors (KPMG New Zealand)				
Audit or review of financial statements	**3,023**	2,522	**1,677**	1,375
Other services	**573**	297	**89**	25
Total auditors' remuneration	**3,596**	2,819	**1,766**	1,400
Audit fees paid to Ernst & Young for subsidiary company financial statement audits	**-**	55	**-**	-

It is the Banking Group's policy that, subject to the approval of the Ultimate Parent Bank's Audit Committee, KPMG can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. KPMG may not provide services that are perceived to be in conflict with the role of auditor. Services that are perceived to be in conflict with the role of auditor include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Other services include taxation services and services for the audit or review of financial information other than financial reports including prudential supervision reviews, prospectus reviews and other audits required for local regulatory purposes.

Notes to the Financial Statements

6. Income Tax Expense

	Banking Group		Bank	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**1,753**	1,551	**1,567**	1,361
Prima facie income tax at 28% (2011: 30%)	**491**	465	**439**	408
Imputed and non-assessable dividends	**(6)**	(6)	**(57)**	(55)
Effect of changes in tax legislation	**-**	(5)	**-**	(3)
Change in tax provisions	**(12)**	(11)	**(12)**	(11)
Non-deductible expenses / (non-assessable income)	**(35)**	7	**(17)**	(27)
Income tax under / (over) provided in prior years	**(10)**	2	**(6)**	17
Total income tax expense	**428**	452	**347**	329
Effective tax rate (%)	**24.4%**	29.1%	**22.1%**	24.2%
Amounts recognised in the income statement				
Current tax	**376**	277	**296**	264
Deferred tax	**52**	175	**51**	65
Total income tax expense recognised in the income statement	**428**	452	**347**	329
Amounts recognised directly in equity				
Current income tax				
Net loss on revaluation of financial instruments	**-**	(9)	**-**	(1)
Deferred income tax				
Net gain on revaluation of financial instruments	**-**	16	**-**	16
Actuarial loss on defined benefit schemes	**(6)**	(18)	**(6)**	(18)
Total income tax benefit recognised directly in equity	**(6)**	(11)	**(6)**	(3)
Imputation credits available	**1,457**	1,062	**1,336**	928

The Bank is a member of an imputation group and can access imputation credits of the imputation group. The imputation credit balance for the Bank is the imputation credit balance of this imputation group. The imputation credit balance for the Banking Group includes the imputation credit balance in relation to both the imputation group and other companies in the the Banking Group that are not in the imputation group. The imputation credit balance available includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

Notes to the Financial Statements

7. Segmental Analysis

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

Segmental reporting has been updated to show the Wealth division as a separate reportable segment, following the formation of a global Wealth division by the Overseas Banking Group, and to reflect other minor changes to the Banking Group's structure. Comparative data has been adjusted to be consistent with the current year's segment definitions.

Retail

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

Commercial

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

Wealth

Wealth includes private banking and investment services provided to high net worth individuals, the OnePath wealth management and insurance businesses, and other investment products.

Institutional

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

Other

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

Notes to the Financial Statements

Business segment analysis[1]

$ millions			Banking Group			
30/09/2012	**Retail**	**Commercial**	**Wealth**	**Institutional**	**Other**	**Total**
External interest income	**1,729**	**3,198**	**79**	**997**	**14**	**6,017**
External interest expense	**(1,033)**	**(581)**	**(196)**	**(419)**	**(1,106)**	**(3,335)**
Net intersegment interest	**111**	**(1,284)**	**138**	**(171)**	**1,206**	**-**
Net interest income	**807**	**1,333**	**21**	**407**	**114**	**2,682**
Other external operating income	**324**	**135**	**228**	**216**	**99**	**1,002**
Share of associates' profit	**-**	**-**	**-**	**-**	**4**	**4**
Operating income	**1,131**	**1,468**	**249**	**623**	**217**	**3,688**
Operating expenses	**683**	**501**	**145**	**184**	**229**	**1,742**
Profit before provision for credit impairment	**448**	**967**	**104**	**439**	**(12)**	**1,946**
Provision for credit impairment	**54**	**128**	**1**	**11**	**(1)**	**193**
Profit before income tax	**394**	**839**	**103**	**428**	**(11)**	**1,753**
Income tax expense	**110**	**233**	**17**	**113**	**(45)**	**428**
Profit after income tax	**284**	**606**	**86**	**315**	**34**	**1,325**
Other information						
Depreciation and amortisation	**19**	**8**	**14**	**-**	**48**	**89**
Goodwill	**547**	**1,466**	**180**	**1,072**	**-**	**3,265**
Other intangible assets	**38**	**3**	**137**	**1**	**61**	**240**
Investment in associates	**-**	**-**	**-**	**12**	**87**	**99**
Total external assets	**27,927**	**53,516**	**1,457**	**36,612**	**1,937**	**121,449**
Total external liabilities	**31,136**	**19,270**	**4,318**	**28,280**	**27,513**	**110,517**

30/09/2011	**Retail**	**Commercial**	**Wealth**	**Institutional**	**Other**	**Total**
External interest income	1,852	3,392	86	831	18	6,179
External interest expense	(1,085)	(625)	(223)	(457)	(1,230)	(3,620)
Net intersegment interest	(42)	(1,430)	154	27	1,291	-
Net interest income	725	1,337	17	401	79	2,559
Other external operating income	319	129	274	239	(109)	852
Share of associates' profit	-	-	-	-	4	4
Operating income	1,044	1,466	291	640	(26)	3,415
Operating expenses	685	495	154	177	175	1,686
Profit before provision for credit impairment	359	971	137	463	(201)	1,729
Provision for credit impairment	66	138	-	(26)	-	178
Profit before income tax	293	833	137	489	(201)	1,551
Income tax expense	88	250	37	144	(67)	452
Profit after income tax	205	583	100	345	(134)	1,099
Other information						
Depreciation and amortisation	18	8	11	-	37	74
Goodwill	547	1,466	180	1,072	-	3,265
Other intangible assets	46	7	161	1	30	245
Investment in associates	-	-	-	12	88	100
Total external assets	27,095	51,543	1,528	36,803	4,471	121,440
Total external liabilities	28,539	17,956	4,322	35,342	24,456	110,615

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

Notes to the Financial Statements

8. Liquid Assets

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Cash and balances with central banks	**2,177**	1,954	**2,177**	1,954
Securities purchased under agreement to resell	**325**	50	**325**	50
Money at call	**237**	330	**236**	330
Bills receivable and remittances in transit	**92**	121	**77**	109
Total liquid assets	**2,831**	2,455	**2,815**	2,443

9. Due from Other Financial Institutions

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Able to be withdrawn without prior notice	**96**	380	**96**	380
Securities purchased under agreement to resell	**228**	1,086	**228**	1,086
Security settlements	**42**	606	**42**	606
Certificates of deposit	**100**	1,562	**100**	1,562
Term loans and advances	**-**	51	**-**	51
Cash collateral given on derivative financial instruments	**1,256**	944	**1,256**	944
Total due from other financial institutions	**1,722**	4,629	**1,722**	4,629
Fair value of securities purchased under agreement to resell	**229**	1,133	**229**	1,133

10. Trading Securities

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Government, local body stock and bonds	**8,600**	5,961	**8,600**	5,961
Certificates of deposit	**455**	334	**455**	334
Promissory notes	**41**	59	**41**	59
Other bank bonds	**3,202**	3,047	**3,202**	3,047
Other	**40**	65	**40**	65
Total trading securities	**12,338**	9,466	**12,338**	9,466

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11. Derivative Financial Instruments

The use of derivatives and their sale to customers as risk management products is an integral part of the Banking Group's trading activities. Derivatives are also used to manage the Banking Group's own exposure to fluctuations in exchange and interest rates as part of its own asset and liability management activities.

Derivatives are subject to the same types of credit and market risk as other financial instruments and the Banking Group manages these risks in a consistent manner.

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading. The held for trading classification includes two categories of derivative instruments: those held as trading positions and those used for the Banking Group's balance sheet risk management.

Trading positions

Trading positions consist of both sales to customers and market making activities. Sales to customers include the structuring and marketing of derivative products to customers which enable them to take or mitigate risks. Market making activities consist of derivatives entered into principally for the purpose of generating profits from short-term fluctuations in price or margins. Positions may be traded actively or held over a period of time to benefit from expected changes in market rates.

Balance sheet risk management

The Banking Group designates certain balance sheet risk management derivatives into hedging relationships in order to minimise income statement volatility. This volatility is created by differences in the timing of recognition of gains and losses between the derivative and the hedged item. Hedge accounting is not applied to all balance sheet risk management positions as other balance sheet risk management derivatives are classified as held for trading.

	Banking Group			Bank		
30/09/2012	**Notional Principal**	**Fair values**		**Notional Principal**	**Fair values**	
$ millions	**Amount**	**Assets**	**Liabilities**	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading						
Spot and forward contracts	**59,862**	**647**	**1,240**	**59,862**	**647**	**1,240**
Swap agreements	**124,674**	**2,860**	**4,278**	**124,674**	**2,860**	**4,278**
Options purchased	**1,798**	**22**	**-**	**1,798**	**22**	**-**
Options sold	**1,651**	**1**	**39**	**1,651**	**1**	**39**
Foreign exchange derivatives	**187,985**	**3,530**	**5,557**	**187,985**	**3,530**	**5,557**
Forward rate agreements	**46,651**	**3**	**2**	**46,651**	**3**	**2**
Swap agreements	**522,387**	**8,682**	**8,147**	**527,517**	**8,717**	**8,147**
Futures contracts	**29,818**	**2**	**4**	**29,818**	**2**	**4**
Options purchased	**2,237**	**15**	**-**	**2,237**	**15**	**-**
Options sold	**1,833**	**-**	**14**	**1,833**	**-**	**14**
Interest rate derivatives	**602,926**	**8,702**	**8,167**	**608,056**	**8,737**	**8,167**
Commodity derivatives	**281**	**44**	**42**	**281**	**44**	**42**
Total derivatives held for trading	**791,192**	**12,276**	**13,766**	**796,322**	**12,311**	**13,766**
Derivatives in hedging relationships						
Foreign exchange swap agreements	**70**	**3**	**-**	**70**	**3**	**-**
Interest rate swap agreements	**15,752**	**234**	**92**	**15,752**	**234**	**92**
Total fair value hedges	**15,822**	**237**	**92**	**15,822**	**237**	**92**
Interest rate swap agreements	**13,524**	**240**	**72**	**13,524**	**240**	**72**
Total cash flow hedges	**13,524**	**240**	**72**	**13,524**	**240**	**72**
Total derivatives in hedging relationships	**29,346**	**477**	**164**	**29,346**	**477**	**164**
Total derivative financial instruments	**820,538**	**12,753**	**13,930**	**825,668**	**12,788**	**13,930**

Notes to the Financial Statements

30/09/2011	Banking Group			Bank		
	Notional Principal	Fair values		Notional Principal	Fair values	
$ millions	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives held for trading						
Spot and forward contracts	62,832	2,111	1,440	62,832	2,111	1,440
Swap agreements	117,442	4,607	5,578	117,442	4,607	5,578
Options purchased	2,271	66	1	2,271	66	1
Options sold	2,280	-	69	2,280	-	69
Foreign exchange derivatives	184,825	6,784	7,088	184,825	6,784	7,088
Forward rate agreements	73,641	13	12	73,641	13	12
Swap agreements	629,986	8,224	7,637	636,630	8,267	7,637
Futures contracts	12,841	18	8	12,841	18	8
Options purchased	4,623	24	-	4,623	24	-
Options sold	6,446	-	26	6,446	-	26
Interest rate derivatives	727,537	8,279	7,683	734,181	8,322	7,683
Commodity derivatives	182	13	12	182	13	12
Total derivatives held for trading	912,544	15,076	14,783	919,188	15,119	14,783
Derivatives in hedging relationships						
Foreign exchange swap agreements	76	3	-	76	3	-
Interest rate swap agreements	17,652	281	256	17,652	281	256
Total fair value hedges	17,728	284	256	17,728	284	256
Interest rate swap agreements	11,090	275	69	11,090	275	69
Interest rate futures contracts	13,431	-	10	13,431	-	10
Total cash flow hedges	24,521	275	79	24,521	275	79
Total derivatives in hedging relationships	42,249	559	335	42,249	559	335
Total derivative financial instruments	954,793	15,635	15,118	961,437	15,678	15,118

Fair value hedges

The Banking Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Gain / (loss) on fair value hedges attributable to the hedged risk

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Gain / (loss) arising from fair value hedges:				
- hedged item	**41**	(138)	**41**	(138)
- hedging instrument	**(45)**	144	**(45)**	144
Net ineffectiveness on qualifying fair value hedges	**(4)**	6	**(4)**	6

Notes to the Financial Statements

Cash flow hedges

The Banking Group's cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates or which are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their forecast repricing profile. This forms the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges.

Analysis of the cash flow hedging reserve

	Banking Group		Bank	
	30/09/2012	30/09/2011	**30/09/2012**	30/09/2011
Deferred gain / (loss) attributable to hedges of:				
Variable rate loan assets	**208**	219	**208**	219
Variable rate liabilities	**(29)**	(33)	**(29)**	(33)
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**(38)**	(45)	**(38)**	(45)
Total cash flow hedging reserve	**141**	141	**141**	141

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur, which is anticipated to take place over the next 0-10 years (30/09/2011 0-10 years).

12. Available-for-sale Assets

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Government, local body stock and bonds	**13**	247	**13**	246
Other debt securities	**41**	42	**41**	42
Equity securities	**3**	122	**-**	87
Total available-for-sale assets	**57**	411	**54**	375

13. Net Loans and Advances

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Overdrafts	**1,881**	1,847	**1,881**	1,847
Credit card outstandings	**1,395**	1,367	**1,395**	1,367
Term loans - housing	**46,123**	43,636	**46,123**	43,636
Term loans - non-housing	**37,749**	37,398	**35,894**	35,538
Finance lease receivables	**806**	768	**-**	19
Gross loans and advances	**87,954**	85,016	**85,293**	82,407
Provision for credit impairment (Note 15)	**(1,054)**	(1,156)	**(1,016)**	(1,112)
Unearned finance income	**(258)**	(256)	**-**	-
Fair value hedge adjustment	**(2)**	22	**(2)**	22
Deferred fee revenue and expenses	**(60)**	(51)	**(54)**	(46)
Capitalised brokerage / mortgage origination fees	**98**	35	**98**	35
Total net loans and advances	**86,678**	83,610	**84,319**	81,306

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of $9,396 million as at 30 September 2012 (30/09/2011 $9,931 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

Notes to the Financial Statements

14. Impaired Assets and Other Assets Under Administration

$ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non-retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non-retail exposures	Bank Total
30/09/2012								
Balance at beginning of the year	**451**	**61**	**1,194**	**1,706**	**451**	**61**	**1,131**	**1,643**
Transfers from productive	**277**	**110**	**572**	**959**	**277**	**110**	**550**	**937**
Transfers to productive	**(61)**	**(1)**	**(246)**	**(308)**	**(61)**	**(1)**	**(245)**	**(307)**
Assets realised or loans repaid	**(327)**	**(43)**	**(515)**	**(885)**	**(327)**	**(43)**	**(497)**	**(867)**
Write offs	**(55)**	**(83)**	**(131)**	**(269)**	**(55)**	**(83)**	**(119)**	**(257)**
Individually impaired assets	**285**	**44**	**874**	**1,203**	**285**	**44**	**820**	**1,149**
Restructured items	**28**	**-**	**135**	**163**	**28**	**-**	**135**	**163**
Total impaired assets	**313**	**44**	**1,009**	**1,366**	**313**	**44**	**955**	**1,312**
Other assets under administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Undrawn facilities with impaired customers	**-**	**-**	**24**	**24**	**-**	**-**	**24**	**24**
30/09/2011								
Balance at beginning of the year	511	81	1,403	1,995	511	81	1,317	1,909
Transfers from productive	442	158	774	1,374	442	158	756	1,356
Transfers to productive	(77)	(1)	(101)	(179)	(77)	(1)	(99)	(177)
Assets realised or loans repaid	(356)	(71)	(691)	(1,118)	(356)	(71)	(666)	(1,093)
Write offs	(69)	(106)	(191)	(366)	(69)	(106)	(177)	(352)
Individually impaired assets	451	61	1,194	1,706	451	61	1,131	1,643
Restructured items	20	-	-	20	20	-	-	20
Total impaired assets	471	61	1,194	1,726	471	61	1,131	1,663
Other assets under administration	-	-	6	6	-	-	6	6
Undrawn facilities with impaired customers	-	-	26	26	-	-	26	26

Other assets under administration
Other assets under administration are any loans, not being impaired or 90 days past due, where the customer is in any form of voluntary or involuntary administration, including receivership, liquidation, bankruptcy or statutory management.

Notes to the Financial Statements

15. Provision for Credit Impairment

$ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non-retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non-retail exposures	Bank Total
30/09/2012								
Collective provision								
Balance at beginning of the year	**120**	**147**	**395**	**662**	**120**	**136**	**382**	**638**
Credit to income statement	**(16)**	**(22)**	**(20)**	**(58)**	**(16)**	**(23)**	**(15)**	**(54)**
Balance at end of the year	**104**	**125**	**375**	**604**	**104**	**113**	**367**	**584**
Individual provision (individually impaired assets)								
Balance at beginning of the year	**148**	**37**	**309**	**494**	**148**	**37**	**289**	**474**
Charge to income statement	**36**	**55**	**160**	**251**	**36**	**55**	**150**	**241**
Recoveries of amounts previously written off	**1**	**17**	**7**	**25**	**1**	**17**	**5**	**23**
Bad debts written off	**(55)**	**(83)**	**(131)**	**(269)**	**(55)**	**(83)**	**(119)**	**(257)**
Discount unwind[1]	**(11)**	**-**	**(40)**	**(51)**	**(11)**	**-**	**(38)**	**(49)**
Balance at end of the year	**119**	**26**	**305**	**450**	**119**	**26**	**287**	**432**
Total provision for credit impairment	**223**	**151**	**680**	**1,054**	**223**	**139**	**654**	**1,016**
30/09/2011								
Collective provision								
Balance at beginning of the year	111	149	533	793	111	135	518	764
Charge / (credit) to income statement	9	(2)	(138)	(131)	9	1	(136)	(126)
Balance at end of the year	120	147	395	662	120	136	382	638
Individual provision (individually impaired assets)								
Balance at beginning of the year	207	51	347	605	207	51	317	575
Charge to income statement	24	79	206	309	24	77	199	300
Recoveries of amounts previously written off	2	17	3	22	2	17	1	20
Bad debts written off	(69)	(106)	(191)	(366)	(69)	(106)	(177)	(352)
Discount unwind[1]	(16)	(4)	(56)	(76)	(16)	(2)	(51)	(69)
Balance at end of the year	148	37	309	494	148	37	289	474
Total provision for credit impairment	268	184	704	1,156	268	173	671	1,112

[1] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds as interest income over the period the asset is held.

Provision movement analysis $ millions	Banking Group Retail mortgages	Banking Group Other retail exposures	Banking Group Non-retail exposures	Banking Group Total	Bank Retail mortgages	Bank Other retail exposures	Bank Non-retail exposures	Bank Total
30/09/2012								
New and increased provisions	**110**	**87**	**267**	**464**	**110**	**87**	**254**	**451**
Provision releases	**(73)**	**(15)**	**(100)**	**(188)**	**(73)**	**(15)**	**(99)**	**(187)**
Recoveries of amounts previously written off	**(1)**	**(17)**	**(7)**	**(25)**	**(1)**	**(17)**	**(5)**	**(23)**
Individual provision charge	**36**	**55**	**160**	**251**	**36**	**55**	**150**	**241**
Collective provision credit	**(16)**	**(22)**	**(20)**	**(58)**	**(16)**	**(23)**	**(15)**	**(54)**
Total charge to income statement	**20**	**33**	**140**	**193**	**20**	**32**	**135**	**187**
30/09/2011								
New and increased provisions	146	115	319	580	146	113	306	565
Provision releases	(120)	(19)	(110)	(249)	(120)	(19)	(106)	(245)
Recoveries of amounts previously written off	(2)	(17)	(3)	(22)	(2)	(17)	(1)	(20)
Individual provision charge	24	79	206	309	24	77	199	300
Collective provision charge / (credit)	9	(2)	(138)	(131)	9	1	(136)	(126)
Total charge to income statement	33	77	68	178	33	78	63	174

Notes to the Financial Statements

16. Investments in Subsidiaries and Associates

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Investments in subsidiaries	**-**	-	**6,524**	6,524
Investments in associates	**99**	99	**85**	85
Investment in joint venture	**-**	1	**-**	-
Total investments in subsidiaries and associates	**99**	100	**6,609**	6,609

Subsidiaries	**Ownership Interest %**	**Balance Date**	**Nature of business**
Alos Holdings Limited	100	30 September	Investment company
ANZ Capital NZ Limited	100	30 September	Investment company
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management company
ANZ National Staff Superannuation Limited	100	30 September	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited[1]	100	30 September	Investment company
ANZ New Zealand Securities Limited[2]	100	30 September	On-line share broker
ANZNZ Covered Bond Trust	-	30 September	Securitisation entity
Arawata Assets Limited	100	30 September	Property company
Arawata Finance Limited	100	30 September	Investment company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Trust	-	30 September	Investment entity
Arawata Trust Company	100	30 September	Investment company
AUT Investments Limited	100	30 September	Investment company
Control Nominees Limited	100	30 September	Investment company
Direct Nominees Limited	100	30 September	Nominee company
EFTPOS New Zealand Limited	100	30 September	EFTPOS service provider
Endeavour Finance Limited	100	30 September	Investment company
Harcourt Corporation Limited	100	30 September	Investment company
Karapiro Investments Limited	100	30 September	Investment company
Kingfisher NZ Trust 2008-1	-	30 September	Securitisation entity
Medical Properties Holding Company No.1 Limited	100	30 September	Holding company
National Bank of New Zealand Custodians Limited	100	30 September	Nominee company
NBNZ Holdings Hong Kong Limited (registered in Hong Kong)	100	31 December	Non operative
NBNZ Holdings Limited	100	30 September	Investment company
OneAnswer Nominees Limited	100	30 September	Nominee company
OnePath (NZ) Limited	100	30 September	Funds management company
OnePath Holdings (NZ) Limited	100	30 September	Holding company
OnePath Insurance Holdings (NZ) Limited	100	30 September	Holding company
OnePath Insurance Services (NZ) Limited	100	30 September	Insurance company
OnePath Life (NZ) Limited	100	30 September	Insurance company
OnePath Nominees (NZ) Limited	100	30 September	Nominee company
Origin Mortgage Management Services (2011) Limited	-	31 March	Mortgage finance (non-operative)
Private Nominees Limited	100	30 September	Nominee company
Rural Growth Fund Limited	100	30 September	Investment company
Silver Fern Life Brokers Limited	100	30 September	Non operative
South Pacific Merchant Finance Limited	100	30 September	Investment company
UDC Finance Limited	100	30 September	Finance company

[1] Previously known as ANZ National (Int'l) Limited
[2] Previously known as Direct Broking Limited

All subsidiaries are incorporated in New Zealand, unless stated.

For all companies, with the exception of Origin Mortgage Management Services (2011) Limited, the ownership interest percentage equates to the voting power held. In relation to this company, control exists through the Banking Group having 100% of the voting rights.

In relation to Arawata Trust control exists through the Bank being trustee of the Trust. In relation to Kingfisher NZ Trust 2008-1 and ANZNZ Covered Bond Trust control exists as the Banking Group retains substantially all the risks and rewards of the operations.

Notes to the Financial Statements

Associates

	30/09/2012 Book Value $m	30/09/2011 Book Value $m	Ownership Interest %	Balance Date	Nature of business
Cards NZ Limited	**85**	85	19	30 September	Card services
Paymark Limited	**2**	2	25	31 March	EFTPOS settlements
UCG Investments Limited	**10**	10	40	31 March	Rest home operator
Wyma Engineering (NZ) Limited	**2**	2	30	31 March	Agricultural machinery
Total investment in associates	**99**	99			

All associates are incorporated in New Zealand.

Movements in subsidiaries, associates and joint venture

In November 2011 the Banking Group sold its interest in Argenta Limited, which was a joint venture.

In December 2011 the Diversified Yield Fund and Regular Income Fund were wound up.

In January 2012 the Banking Group sold its interests in Vital Healthcare Management Limited, Australian Properties Limited and their subsidiaries Eastern Specialists Consulting Limited and Vital Healthcare Australian Properties Proprietary Limited.

In February 2012 BHI Limited amalgamated with its immediate parent company NBNZ Holdings Limited.

In August 2012 Southpac Corporation Limited and Radiola Corporation Limited amalgamated with their immediate parent company South Pacific Merchant Finance Limited.

In September 2012 the Banking Group ceased to hold the voting rights for Origin Mortgage Management Services Limited and Origin Mortgages Management Services (2008) Limited.

17. Other Assets

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Accrued interest and prepaid discounts	**356**	343	**433**	412
Accrued commission	**25**	22	**15**	13
Share-based payments asset	**60**	66	**60**	66
Prepaid expenses	**23**	29	**16**	21
Security settlements	**29**	250	**29**	250
Other assets	**99**	153	**58**	121
Total other assets	**592**	863	**611**	883

18. Deferred Tax Assets and Liabilities

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**295**	324	**284**	311
Premises and equipment, software and intangibles	**(2)**	(17)	**5**	(5)
Provisions and accruals	**108**	126	**91**	122
Deferred acquisition costs and insurance policy assets	**(112)**	(90)	**-**	-
Financial instruments	**(55)**	(55)	**(55)**	(55)
Carried forward losses	**16**	16	**-**	-
Lease finance	**(165)**	(148)	**(158)**	(142)
Other deferred tax assets and liabilities (including tax provisions)	**8**	(17)	**18**	(1)
Net deferred tax assets[1]	**93**	139	**185**	230

[1] Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same income tax authority on either the same taxable entity or different taxable entities within the same taxable group.

Notes to the Financial Statements

19. Goodwill and Other Intangible Assets

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Goodwill	**3,265**	3,265	**3,217**	3,217
Software	**103**	85	**100**	81
Other intangibles	**137**	160	**-**	-
	3,505	3,510	**3,317**	3,298

Refer to note 2 for discussion of impairment testing for goodwill.

20. Due to Other Financial Institutions

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Other due to other financial institutions	**1,256**	1,022	**1,052**	1,022
Securities sold under agreements to repurchase from other financial institutions	**46**	1,164	**46**	1,164
Securities sold under agreements to repurchase from central banks	**200**	50	**200**	50
Cash collateral received on derivative financial instruments	**257**	1,475	**257**	1,475
Total due to other financial institutions	**1,759**	3,711	**1,555**	3,711

21. Deposits and Other Borrowings

		Banking Group		Bank	
$ millions	**Note**	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Amortised cost					
Certificates of deposit		**2,156**	2,454	**2,156**	2,461
Term deposits		**33,922**	33,799	**33,922**	33,799
Demand deposits bearing interest		**25,815**	22,230	**25,815**	22,270
Deposits not bearing interest		**4,838**	4,477	**4,838**	4,477
Secured debenture stock	**31**	**1,476**	1,488	**-**	-
Total deposits and other borrowings recognised at amortised cost		**68,207**	64,448	**66,731**	63,007
Fair value through profit or loss					
Commercial paper		**5,445**	4,790	**-**	-
Total deposits and other borrowings		**73,652**	69,238	**66,731**	63,007
Amortised cost of balances included within deposits and other borrowings recognised at fair value:					
Commercial paper		**5,444**	4,790	**-**	-

Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Banking Group. In the unlikely event that the Bank was put into liquidation or ceased to trade, secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

Notes to the Financial Statements

22. Payables and Other Liabilities

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Creditors	**73**	78	**42**	54
Accrued interest and unearned discounts	**542**	585	**429**	463
Defined benefit schemes deficit	**103**	84	**103**	84
Share-based payments liability	**36**	39	**36**	39
Accrued charges	**257**	253	**229**	225
Security settlements and short sales	**290**	1,242	**276**	1,237
Other liabilities	**384**	373	**354**	359
Total payables and other liabilities	**1,685**	2,654	**1,469**	2,461

23. Provisions

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Employee entitlements[1]	**135**	135	**130**	129
Restructuring costs and surplus leased space[2]	**111**	71	**109**	67
Non-lending losses, frauds and forgeries	**1**	1	**1**	1
Other[3]	**92**	102	**52**	74
Total provisions	**339**	309	**292**	271

1 The aggregate liability for employee entitlements largely comprises provisions for annual leave and long service leave.

2 Restructuring costs and surplus leased space provisions arise from activities related to material changes in the scope of business undertaken by the Banking Group or the manner in which that business is undertaken and includes termination benefits. Costs relating to on-going activities are not provided for. Provision is made when the Banking Group is demonstrably committed, it is probable that the costs will be incurred, though their timing is uncertain, and the costs can be reliably estimated. The balance includes provisions related to the New Zealand Simplification programme, including implementation of a core banking system, a single bank brand and an optimised branch network.

3 Other provisions include provisions relating to make-good of leased premises, seismic obligations and the deferred settlement of obligations arising from managed funds relating to OnePath Holdings (NZ) Limited.

24. Bonds and notes

$ millions	Note	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Domestic bonds		**2,535**	2,025	**2,535**	2,025
U.S. medium term notes[1]		**7,423**	9,088	**-**	-
Euro medium term notes[1]		**4,179**	5,999	**-**	-
Covered bonds[1]	**37**	**2,962**	-	**-**	-
Index linked notes		**81**	78	**81**	78
Fair value hedge adjustment		**180**	246	**-**	-
Less bonds and notes held by the Bank		**(116)**	(30)	**(116)**	(30)
Total bonds and notes		**17,244**	17,406	**2,500**	2,073

Bonds and notes, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of the Banking Group. Refer to note 37 for guarantee arrangements and other details about the covered bonds.

1 These bonds and notes are issued by ANZ New Zealand (Int'l) Limited and are guaranteed by the Bank.

Notes to the Financial Statements

25. Loan Capital

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
AUD 265,740,000 perpetual subordinated floating rate loan	**333**	338	**333**	338
AUD 169,520,000 term subordinated floating rate loan [1]	**-**	216	**-**	216
NZD 350,000,000 term subordinated fixed rate bond [2]	**-**	350	**-**	350
NZD 250,000,000 term subordinated fixed rate bond [3]	**-**	250	**-**	250
NZD 835,000,000 perpetual subordinated bond	**835**	835	**835**	835
Total loan capital issued	**1,168**	1,989	**1,168**	1,989
Less loan capital instruments held by the Banking Group	**-**	(1)	**-**	(1)
Total loan capital	**1,168**	1,988	**1,168**	1,988

[1] The Bank elected to repay this loan on 17 September 2012. Interest was based on BBSW +0.68%.
[2] The Bank elected to redeem this bond on 2 March 2012. The coupon rate was 7.60%.
[3] The Bank elected to redeem this bond on 23 July 2012. The coupon rate was 8.23%.

Loan capital is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank.

The perpetual subordinated debt qualifies as Upper Level Tier Two Capital for capital adequacy purposes.

AUD 265,740,000 loan
This loan has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

NZD 835,000,000 bond
The Bank may elect to redeem the bond on 18 April 2013, 18 April 2018 or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, up to and including the Second Call Date and then quarterly thereafter. If the bond is not called at the First Call Date, the coupon rate will reset to the five year interest swap rate plus 2.00%. Should the bond not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 30 September 2012, this bond carried a BBB rating by Standard and Poor's and an A3 rating by Moody's. On 5 October 2012, Standard and Poor's upgraded this bond to BBB+.

The current coupon interest on the bond is 9.66%. The Bank has a general right and in certain specified circumstances an obligation, to defer payment of interest on the bond.

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

Notes to the Financial Statements

26. Related Party Transactions

Key management personnel

$ thousands	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Key management personnel compensation				
Salaries and short-term employee benefits	**11,605**	13,557	**11,605**	13,557
Post-employment benefits	**201**	344	**201**	344
Other long-term benefits	**87**	153	**87**	153
Termination benefits	**-**	2,656	**-**	2,656
Share-based payments expense	**4,537**	2,929	**4,537**	2,929
Total compensation of key management personnel	**16,430**	19,639	**16,430**	19,639
Loans to key management personnel	**2,726**	3,300	**2,726**	3,300
Deposits from key management personnel	**7,055**	6,387	**7,055**	6,387

Key management personnel are defined as the Directors and senior management of the Banking Group - those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The information above includes transactions with those individuals, their close family members and their subsidiaries.

Loans made to and deposits held by key management personnel are made in the course of ordinary business on normal commercial terms and conditions no more favourable than those given to other employees or customers. Loans are on terms of repayment that range between fixed, variable and interest only, all of which have been made in accordance with the Bank's lending policies.

All transactions with key management personnel (including personally related parties) are conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions principally consist of the provision of financial and investment services.

Transactions with other related parties
The Bank and Banking Group undertake transactions with the Immediate Parent Company, Ultimate Parent Bank, other members of the Overseas Banking Group, associates and joint ventures.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to Banking Group employees. Transactions with related parties outside of the Banking Group are conducted on an arm’s length basis and on normal commercial terms.

In addition the Bank undertakes similar transactions with subsidiaries, which are eliminated in the consolidated Banking Group financial statements. Included within the Bank’s transactions with subsidiaries is the provision of administrative functions to some subsidiaries for which no payments have been made.

Transactions with related parties $ millions	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Interest income				
Received from the Immediate Parent Company	**-**	19	**-**	19
Received from subsidiaries	**-**	-	**477**	402
Received from associates	**-**	6	**-**	6
Interest expense				
Paid to the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**58**	65	**28**	35
Paid to the Immediate Parent Company	**7**	1	**7**	1
Paid to subsidiaries	**-**	-	**1,590**	1,505
Paid to associates	**2**	2	**2**	2
Other operating income				
Fees received from the NZ Branch	**26**	29	**26**	29
Dividends received from subsidiaries	**-**	-	**201**	181
Fees & commission received from subsidiaries	**-**	-	**70**	66
Dividends received from associates	**4**	4	**4**	4
Operating expenses				
Paid to the Ultimate Parent Bank and subsidiaries not part of the Banking Group	**118**	93	**118**	93
Operating expenses paid to subsidiaries	**-**	-	**146**	117

Notes to the Financial Statements

Balances with related parties

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Due from other financial institutions				
Due from NZ Branch	**-**	51	**-**	51
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**264**	134	**264**	134
Derivative financial assets				
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**2,615**	2,596	**2,615**	2,596
Due from Immediate Parent Company	**88**	25	**88**	25
Due from subsidiaries	**-**	-	**35**	43
Net loans and advances				
Due from associates	**4**	4	**4**	4
Due from joint ventures	**-**	33	**-**	33
Due from subsidiaries	**-**	-	**11,619**	11,753
Shares in subsidiaries and associates	**99**	100	**6,609**	6,609
Other assets				
Due from Ultimate Parent Bank and subsidiaries not part of the Banking Group	**61**	66	**61**	66
Total due from related parties	**3,131**	3,009	**21,295**	21,314
Due to other financial institutions				
Due to NZ Branch	**20**	-	**20**	-
Due to Ultimate Parent Bank	**205**	775	**1**	775
Deposits and other borrowings				
Due to associates	**85**	85	**85**	85
Due to subsidiaries	**-**	-	**37,940**	37,716
Due to Immediate Parent Company	**740**	174	**740**	174
Derivative financial liabilities				
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**3,050**	4,206	**3,050**	4,206
Payables and other liabilities				
Due to NZ Branch	**284**	338	**284**	338
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**15**	10	**14**	-
Due to Immediate Parent Company	**1**	-	**1**	-
Bonds and notes				
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**1,257**	2,290	**-**	-
Loan capital				
Due to Ultimate Parent Bank and subsidiaries not part of the Banking Group	**333**	554	**333**	554
Total due to related parties	**5,990**	8,432	**42,468**	43,848

Balances due from / to related parties are unsecured other than that the Banking Group and the Bank have provided guarantees and commitments to related parties as follows:

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Bonds and notes issued by ANZ New Zealand (Int'l) Limited to subsidiaries of the Ultimate Parent Bank not part of ANZ New Zealand and guaranteed by the Bank	**-**	-	**1,257**	2,290
Financial guarantees provided to the Ultimate Parent Bank	**256**	1,296	**256**	1,296
Undrawn credit commitments provided to the Immediate Parent Company	**250**	250	**250**	250
Undrawn credit commitments provided to subsidiaries	**-**	-	**643**	2,863

Notes to the Financial Statements

27. Current and Non-current Assets and Liabilities

$ millions	Banking Group 30/09/2012 Current	Banking Group 30/09/2012 Non-current	Banking Group 30/09/2011 Current	Banking Group 30/09/2011 Non-current	Bank 30/09/2012 Current	Bank 30/09/2012 Non-current	Bank 30/09/2011 Current	Bank 30/09/2011 Non-current
Assets								
Liquid assets	**2,831**	**-**	2,455	-	**2,815**	**-**	2,443	-
Due from other financial institutions	**1,722**	**-**	4,629	-	**1,666**	**-**	4,629	-
Trading securities	**12,338**	**-**	9,466	-	**12,338**	**-**	9,466	-
Derivative financial instruments	**12,753**	**-**	15,635	-	**12,788**	**-**	15,678	-
Current tax assets	**15**	**-**	-	-	**79**	**-**	-	-
Available-for-sale assets	**16**	**41**	393	18	**13**	**41**	357	18
Net loans and advances	**27,980**	**58,698**	27,834	55,776	**26,932**	**57,387**	27,489	53,817
Due from subsidiaries	**-**	**-**	-	-	**3,507**	**8,168**	2,382	9,371
Investments backing insurance policy liabilities	**140**	**2**	71	26	**-**	**-**	-	-
Insurance policy assets	**-**	**301**	-	200	**-**	**-**	-	-
Investments in subsidiaries and associates	**-**	**99**	-	100	**-**	**6,609**	-	6,609
Other assets	**532**	**60**	806	57	**551**	**60**	826	57
Deferred tax assets	**-**	**93**	-	139	**-**	**185**	-	230
Premises and equipment	**-**	**323**	-	325	**-**	**74**	-	89
Goodwill and other intangible assets	**-**	**3,505**	-	3,510	**-**	**3,317**	-	3,298
Total assets	**58,327**	**63,122**	61,289	60,151	**60,689**	**75,841**	63,270	73,489
Liabilities								
Due to other financial institutions	**1,605**	**154**	3,649	62	**1,401**	**154**	3,649	62
Deposits and other borrowings	**70,793**	**2,859**	66,659	2,579	**64,124**	**2,607**	60,453	2,554
Due to subsidiaries	**-**	**-**	-	-	**14,943**	**22,997**	17,594	20,122
Due to the Immediate Parent Company	**740**	**-**	174	-	**740**	**-**	174	-
Derivative financial instruments	**13,930**	**-**	15,118	-	**13,930**	**-**	15,118	-
Payables and other liabilities	**1,546**	**139**	2,540	114	**1,330**	**139**	2,347	114
Current tax liability	**-**	**-**	17	-	**-**	**-**	36	-
Provisions	**240**	**99**	211	98	**196**	**96**	176	95
Bonds and notes	**4,043**	**13,201**	4,798	12,608	**100**	**2,400**	288	1,785
Loan capital	**-**	**1,168**	-	1,988	**-**	**1,168**	-	1,988
Total liabilities	**92,897**	**17,620**	93,166	17,449	**96,764**	**29,561**	99,835	26,720

Assets and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

Non-current assets include premises and equipment and intangible assets as well as financial assets of a long-term nature. Non-current liabilities include financial and non-financial liabilities which are expected to be settled after twelve months from balance date.

For the purposes of this disclosure, the fair value of both trading and hedging derivatives has been classified as current. For more information on the contractual timing of expected outflows and inflows in relation to hedging derivatives refer to Note 30.

Notes to the Financial Statements

28. Ordinary Share Capital

The issued capital of the Bank comprises 1,700,755,498 (30/09/2011 1,700,755,498) ordinary shares, of which 650,712 shares are uncalled (30/09/2011 650,712 shares uncalled).

During the year ended 30 September 2012 the Bank paid an ordinary dividend of $1,150 million to the Immediate Parent Company (equivalent to $0.68 per share). (30/09/2011 the Bank paid an ordinary dividend of $700 million to the Immediate Parent Company (equivalent to $0.41 per share)). There were no changes to issued capital during the year ended 30 September 2012 (30/09/2011 $nil).

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

29. Capital Adequacy

Capital management policies
The Banking Group's core capital objectives are to:
- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Banking Group's capital position; and
- Ensure that the capital base supports the Banking Group's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group's Internal Capital Adequacy Assessment Process ("ICAAP") policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal economic risk capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for both tier one and total capital that ensure sufficient capital is maintained to:
- Meet minimum prudential requirements imposed by regulators;
- Ensure consistency with the Banking Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Support the economic risk capital requirements of the business.

The Banking Group's Asset & Liability Committee and its related Capital Management Forum are responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group's ICAAP is subject to independent and periodic review conducted by Internal Audit.

The Banking Group has complied with all externally imposed capital requirements to which it is subject during the current and comparative periods.

Notes to the Financial Statements

Capital ratios of the Banking Group under the Basel II internal models based approach (Unaudited)

Banking Group	30/09/2012	30/09/2011
Tier One Capital	**10.80%**	10.02%
RBNZ minimum Tier One Capital ratio	**4.00%**	4.00%
Total Capital	**12.48%**	12.74%
RBNZ minimum Total Capital ratio	**8.00%**	8.00%

Capital of the Banking Group as at 30 September 2012 (Unaudited)

	$m
Tier One Capital	
Ordinary share capital	**6,943**
Audited retained earnings and reserves	**3,848**
Less deductions from Tier One Capital	
Goodwill	**3,265**
Software and other intangible assets	**240**
50% of expected loss to the extent higher than total eligible allowances for impairment	**39**
Total Tier One Capital	**7,247**
Tier Two Capital - Upper Level	
Perpetual subordinated debt	**1,168**
Less deductions from Tier Two Capital	
50% of expected loss to the extent higher than total eligible allowances for impairment	**39**
Total Tier Two Capital	**1,129**
Total Capital	**8,376**

Total required capital of the Banking Group as at 30 September 2012 (Unaudited)

$ millions	Exposure at default	Risk weighted exposure[1]	Total capital requirement
Exposures subject to internal ratings based approach	**124,414**	**47,594**	**3,808**
Specialised lending exposures subject to slotting approach	**8,034**	**7,820**	**626**
Exposures subject to standardised approach	**276**	**258**	**21**
Equity exposures	**102**	**431**	**35**
Other exposures	**3,038**	**913**	**73**
Total credit risk	**135,864**	**57,016**	**4,563**
Operational risk	**n/a**	**5,401**	**432**
Market risk	**n/a**	**4,713**	**377**
Total capital requirement	**135,864**	**67,130**	**5,372**

[1] Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Capital adequacy ratios under the Basel I approach (Unaudited)

	Bank	
	30/09/2012	30/09/2011
Tier One Capital	**9.46%**	9.64%
Total Capital	**10.29%**	11.60%
Total risk-weighted exposures ($ millions)	**74,131**	72,923
RBNZ minimum ratios:		
Tier One Capital	**4.00%**	4.00%
Total Capital	**8.00%**	8.00%

Basel I ratios have been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' ("BS2"), dated October 2010.

Notes to the Financial Statements

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

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

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

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

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

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

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

The exceptions to IRB treatment are two minor portfolios where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document entitled 'Capital Adequacy Framework (Standardised Approach)' ("BS2A"), dated October 2010.

Classification of Banking Group exposures according to rating approach

Internal ratings based approach

IRB Asset Class	Borrower Type	Rating Approach
Sovereign	Crown	IRB - Advanced
	RBNZ	IRB - Advanced
	Any other sovereign and its central bank	IRB - Advanced
Bank	Registered banks	IRB - Advanced
Corporate	Corporation, partnerships or proprietorships that do not fit any other asset classification	IRB - Advanced
	Corporate Small to Medium Enterprises ("SME") with turnover of less than $50 million	IRB - Advanced
Retail Mortgages	Individuals' borrowings against residential property	IRB - Advanced
Other Retail	Other lending to individuals (including credit cards)	IRB - Advanced
	SME business borrowers	IRB - Advanced
Corporate sub-class - Specialised lending	Project finance	IRB - Slotting
	Income producing real estate	IRB - Slotting
Equity		IRB
Other assets	All other assets not falling within any of the above classes	IRB

Standardised approach

Exposure class	Exposure Type	Reason for Standardised Approach	Future Treatment
Corporate	Merchant card prepayment exposures	System constraints	Move to IRB
	Corporate credit cards	System constraints	Move to IRB

Notes to the Financial Statements

Controls surrounding credit risk rating systems
The term "Rating Systems" covers all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

All material aspects of the Rating Systems and risk estimate processes are governed by the Banking Group's Risk Committee. Risk grades are an integral part of reporting to senior management and executives. Management and staff of credit risk functions, in conjunction with the relevant Retail and Wholesale Risk Committees, regularly assess the performance of the rating systems, identify any areas for improvement and monitor progress on previously identified development work needed.

The Banking Group's Rating Systems are governed by a comprehensive framework of controls that operate at the business unit and support centres, and through central audit and validation processes. All policies, model designs, model reviews, methodologies, validations, responsibilities, systems and processes supporting the ratings systems are fully documented.

The Banking Group's Retail and Wholesale ratings functions work closely with the Ultimate Parent Bank's risk ratings functions, are independent of operational lending activities and are responsible for the ratings strategies and ongoing management of credit risk models within New Zealand. The annual review of models used across the Banking Group is a function undertaken by the ANZ Decision Model Validation Unit, which is also independent of credit risk operational functions and is responsible for overseeing the design, implementation and performance of all rating models in the Banking Group.

The target approach to modelling for the Banking Group is to deploy the model most suitable for the environment. At present this involves an approach to modelling that combines models developed in New Zealand and models developed by the Ultimate Parent Bank, tested and validated for use in New Zealand, as appropriate.

Capital requirements by asset class under the IRB approach

Banking Group	Total exposure or principal amount	Exposure at default	Exposure-weighted LGD used for the capital calculation	Exposure-weighted risk weight	Risk weighted exposure	Total capital requirement
As at 30/09/2012 (Unaudited)	**$m**	**$m**	**%**	**%**	**$m**	**$m**
On-balance sheet exposures						
Corporate	**32,167**	**32,157**	**36**	**59**	**20,207**	**1,617**
Sovereign	**10,227**	**10,067**	**5**	**1**	**90**	**8**
Bank	**3,574**	**3,336**	**56**	**18**	**634**	**50**
Retail mortgages	**44,118**	**44,278**	**21**	**26**	**12,197**	**976**
Other retail	**4,278**	**4,363**	**60**	**73**	**3,396**	**271**
Total on-balance sheet exposures	**94,364**	**94,201**	**27**	**37**	**36,524**	**2,922**
Off-balance sheet exposures						
Corporate	**12,747**	**9,951**	**52**	**50**	**5,272**	**422**
Sovereign	**75**	**75**	**5**	**1**	**1**	**-**
Bank	**1,219**	**1,114**	**47**	**14**	**164**	**13**
Retail mortgages	**7,081**	**5,881**	**18**	**16**	**969**	**77**
Other retail	**4,967**	**4,649**	**72**	**49**	**2,431**	**195**
Total off-balance sheet exposures	**26,089**	**21,670**	**47**	**38**	**8,837**	**707**
Market related contracts						
Corporate	**71,611**	**2,287**	**60**	**46**	**1,117**	**89**
Sovereign	**8,631**	**381**	**5**	**1**	**4**	**-**
Bank	**738,529**	**5,875**	**64**	**18**	**1,112**	**90**
Total market related contracts	**818,771**	**8,543**	**60**	**25**	**2,233**	**179**
Total credit risk exposures subject to the IRB approach	**939,224**	**124,414**	**33**	**36**	**47,594**	**3,808**

Notes to the Financial Statements

IRB exposures by customer credit rating

Banking Group As at 30/09/2012 (Unaudited)	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporate						
0 - 2	**0.05**	**4,975**	**61**	**24**	**1,243**	**99**
3 - 4	**0.32**	**22,580**	**38**	**41**	**9,827**	**786**
5	**1.01**	**8,891**	**37**	**65**	**6,160**	**493**
6	**2.26**	**4,840**	**39**	**87**	**4,485**	**359**
7 - 8	**8.41**	**1,959**	**39**	**140**	**2,904**	**232**
Default	**100.00**	**1,150**	**41**	**162**	**1,977**	**159**
Total corporate exposures	**3.58**	**44,395**	**41**	**57**	**26,596**	**2,128**
Sovereign						
0	**0.01**	**10,476**	**5**	**1**	**95**	**8**
1 - 8	**0.05**	**47**	**5**	**1**	**-**	**-**
Total sovereign exposures	**0.01**	**10,523**	**5**	**1**	**95**	**8**
Bank						
0	**0.03**	**4,190**	**65**	**15**	**688**	**55**
1	**0.03**	**5,633**	**56**	**18**	**1,064**	**85**
2 - 4	**0.13**	**493**	**52**	**28**	**144**	**12**
5 - 8	**2.50**	**9**	**65**	**140**	**14**	**1**
Total bank exposures	**0.04**	**10,325**	**59**	**17**	**1,910**	**153**
Retail mortgages						
0 - 3	**0.20**	**10,136**	**11**	**5**	**500**	**40**
4	**0.46**	**16,108**	**18**	**13**	**2,305**	**184**
5	**0.93**	**17,058**	**26**	**30**	**5,489**	**439**
6	**2.12**	**5,643**	**30**	**60**	**3,617**	**289**
7 - 8	**5.35**	**691**	**31**	**105**	**766**	**61**
Default	**100.00**	**523**	**33**	**88**	**489**	**40**
Total residential mortgages exposures	**1.86**	**50,159**	**21**	**25**	**13,166**	**1,053**
Other retail						
0 - 2	**0.10**	**647**	**77**	**49**	**333**	**27**
3 - 4	**0.29**	**4,118**	**70**	**49**	**2,159**	**173**
5	**1.10**	**1,720**	**62**	**65**	**1,182**	**95**
6	**2.50**	**1,502**	**58**	**71**	**1,133**	**91**
7 - 8	**10.07**	**926**	**62**	**94**	**920**	**74**
Default	**100.00**	**99**	**61**	**95**	**100**	**6**
Total other retail exposures	**2.90**	**9,012**	**66**	**61**	**5,827**	**466**
Total credit risk exposures subject to the IRB approach	**2.24**	**124,414**	**33**	**36**	**47,594**	**3,808**

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

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Banking Group As at 30/09/2012 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	1,989	70	1,476	118
Good	3,671	90	3,502	280
Satisfactory	1,189	115	1,449	116
Weak	252	250	671	54
Default	188	-	-	-
Total on-balance sheet exposures	7,289	92	7,098	568

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	653	646	91	621	50
Market related contracts	1,767	99	97	101	8
Total off-balance sheet exposures	2,420	745	97	722	58

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

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

Credit risk exposures subject to the standardised approach

Banking Group As at 30/09/2012 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	55	100	58	5
Default	1	150	1	-
Total on-balance sheet exposures	56	100	59	5

	Exposure amount $m	Average credit conversion factor %	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	502	44	220	85	199	16

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

Equity exposures

Banking Group As at 30/09/2012 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All equity holdings not deducted from capital	102	400	431	35

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

Banking Group As at 30/09/2012 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash	204	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,973	-	-	-
Other assets	861	100	913	73
Total other IRB credit risk exposures	3,038	28	913	73

Other exposures have been calculated in accordance with BS2B.

Credit risk mitigation

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

As at 30 September 2012, under the IRB approach, the Banking Group had $1,525 million of Corporate exposures covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Operational risk

The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with BS2B. As at 30 September 2012 the Banking Group had an implied risk weighted exposure of $5,401 million for operational risk and an operational risk capital requirement of $432 million.

Operational risk capital is modelled at a New Zealand divisional level and then distributed and adjusted for the business environment and internal controls down to the business units using the Risk Scenario Methodology. This methodology ensures that there is sufficient operational risk capital held as a buffer for rare and severe unexpected operational loss events that may impact the New Zealand business. The Methodology applies a combination of expert judgement, business unit risk profiles, audit findings, and internal and external loss events to derive a series of business specific Risk Scenarios that are applied to the capital model. The Risk Scenario approach:

- Assesses the level of the Bank's exposure to specified risk scenarios;
- Assesses the scope and quality of the Bank's internal control environment, key operational processes and risk mitigants; and
- Directly links the risk scenarios to operational risk capital.

The Banking Group's operating risk capital is calculated using the Ultimate Parent Bank’s methodology, but with standalone New Zealand inputs to ensure there are no diversification benefits.

The Banking Group does not incorporate any insurance mitigation impact into its capital number. Accordingly, there are no insurance related questions contained within the Risk Scenario Methodology.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BS2B.

The peak end-of-day market risk exposures are for the half-year ended 30 September 2012.

Banking Group	Implied risk weighted exposure		Aggregate capital charge		Peak
30/09/2012 (Unaudited)	Period end $m	Peak $m	Period end $m	Peak $m	occurred on
Interest rate risk	4,704	5,323	377	426	4/09/2012
Foreign currency risk	6	93	-	7	21/08/2012
Equity risk	3	130	-	10	15/08/2012
	4,713		377		

Notes to the Financial Statements

Pillar II capital for other material risks

The Banking Group has an ICAAP which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier one and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is $502 million (30/09/2011: $457 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating to insurance and funds management risks) were applied in February 2012 and the prior period restated accordingly.

Capital adequacy of the Ultimate Parent Bank under the Basel II approach

	Overseas Banking Group		Ultimate Parent Bank	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Tier One Capital	**10.8%**	10.9%	**11.4%**	11.5%
Total Capital	**12.2%**	12.1%	**12.7%**	12.3%

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

Under prudential regulations, the Ultimate Parent Bank is required to hold a minimum Prudential Capital Ratio as determined by APRA. The Overseas Banking Group exceeded the minimum capital adequacy requirements set by APRA as at 30 September 2012 and for the comparative prior period.

The Overseas Banking Group is required to publicly disclose Pillar III financial information as at 30 September 2012. The Overseas Banking Group's Basel II Pillar 3 Disclosure document for the year ended to 30 September 2012, prepared in accordance with APS 330, discloses capital adequacy ratios calculated under the Basel II methodology. These documents can be accessed at the website anz.com.

Retail mortgages by loan-to-valuation ratio ("LVR")

As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by the Banking Group's valuation of the security property at origination of the exposure. Off-balance sheet exposures include undrawn and partially undrawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which may or may not be accepted by the customer.

Unaudited 30/09/2012 $ millions	On-balance sheet	Off-balance sheet	Total
LVR range			
0% - 59%	**16,736**	**3,315**	**20,051**
60% - 69%	**7,328**	**977**	**8,305**
70% - 79%	**10,557**	**1,275**	**11,832**
Less than 80%	**34,621**	**5,567**	**40,188**
80% - 89%	**6,034**	**1,094**	**7,128**
Over 90%	**3,463**	**420**	**3,883**
Total	**44,118**	**7,081**	**51,199**

Reconciliation of mortgage related amounts

$ millions	Note	Banking Group Unaudited 30/09/2012
Term loans - housing	**13**	**46,123**
Plus: short-term housing loans classified as overdrafts		**514**
Less: housing loans made to corporate customers		**(2,585)**
Gross retail mortgage loans	**30**	**44,052**
Plus: Unsettled re-purchases of mortgages from the NZ Branch		**66**
On-balance sheet retail mortgage exposures subject to the IRB approach	**29**	**44,118**
Plus: off-balance sheet retail mortgage exposures subject to the IRB approach		**7,081**
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)	**29**	**51,199**

Notes to the Financial Statements

30. Financial Risk Management

Strategy in using financial instruments

Financial instruments are fundamental to the Banking Group's business, constituting the core element of its operations. Accordingly, the risks associated with financial instruments are a significant component of the risks faced by the Banking Group. Financial instruments create, modify or reduce the credit, market and liquidity risks of the Banking Group's balance sheet. The Banking Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Banking Group.

The risk management and policy control framework applicable to the entities comprising the Banking Group has been set by the Board and Risk Committee of the Bank or the Ultimate Parent Bank, as appropriate. Likewise oversight and monitoring of material risk exposures of the Banking Group is undertaken by the Risk Management functions of the Bank and also the Ultimate Parent Bank. Throughout this document, references to the Risk Management of the operations within the entities comprising the Banking Group, implicitly involves oversight by both related entities.

Credit risk

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations. The Banking Group assumes credit risk in a wide range of lending and other activities in diverse markets and many jurisdictions. Credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities around the world.

The Banking Group has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of the Banking Group are set by the Board and are implemented and monitored within a tiered structure of delegated authority, designed to oversee multiple facets of credit risk, including business writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations.

Credit risk management

A credit risk management framework is in place across the Banking Group with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by the Board. The framework focuses on policies, people, skills, controls, risk concentrations and portfolio balance. It is supported by portfolio analysis and business-writing strategies, which guide lending decisions and identify segments of the portfolio requiring attention. The effectiveness of the framework is monitored through a series of compliance and reporting processes.

An independent Risk Management function is staffed by risk specialists. In regard to credit risk management, the objective is for Risk Management to provide robust credit policies, to make independent credit decisions, and to provide strong support to front line staff in the application of sound credit practices. In addition to providing independent credit assessment on lending decisions, Risk Management also performs key roles in portfolio management by development and validation of credit risk measurement systems, loan asset quality reporting, and development of credit standards and policies.

The credit risk management framework is top down. The framework is defined by the Banking Group's credit principles and policies. The effectiveness of the credit risk management framework is validated through the compliance and monitoring processes.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support the business units. All major business unit credit decisions require approval from both business writers and independent risk personnel.

Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent upon the level of risk. Credit risk policy and management is executed through the Chief Risk Officer, who is responsible for various dedicated areas within the Risk Management division. Wholesale Risk services the Banking Group's commercial, investment banking and rural lending activities through dedicated teams. Retail Risk services the Banking Group's small business and consumer customers. The Credit Reporting team within Risk Management provides an independent overview of credit risk across the Bank at a portfolio level. The Banking Group allows sole discretion for transaction approvals at the business unit level in both the retail and wholesale lending sectors, with larger transactions approved by Retail Risk and Wholesale Risk.

The credit risk review function within Global Internal Audit also provides a further independent check mechanism to ensure the quality of credit decisions. This includes providing independent periodic checks on asset quality and compliance with the agreed standards and policies across the Banking Group.

Notes to the Financial Statements

Country risk management

Some customer credit risks involve country risk, whereby actions or events at a national or international level could disrupt servicing of commitments. Country risk arises when payment or discharge of an obligation will, or could, involve the flow of funds from one country to another or involve transactions in a currency other than the domestic currency of the relevant country.

Country ratings are assigned to each country where the Banking Group incurs country risk and have a direct bearing on the Banking Group's risk appetite for each country. The country rating is determined through a defined methodology based around external ratings agencies' ratings and internal specialist opinion. It is also a key risk consideration in the Banking Group's capital pricing model for cross border flows.

The recording of country limits provides the Banking Group with a means to identify and control country risk. Country limits ensure that there is a country-by-country ceiling on exposures that involve country risk. They are recorded by time to maturity and purpose of exposure, e.g., trade, markets and project finance. Country limits are managed centrally by the Ultimate Parent Bank, through a global country risk exposure management system managed by a specialist unit within Institutional Risk.

Portfolio stress testing

Stress testing is integral to strengthening the predictive approach to Risk Management and is a key component to managing risk appetite and business writing strategies. It creates greater understanding of impacts on financial performance through modelling relationships and sensitivities between geographic, industry and business unit exposures under a range of macro economic scenarios.

The Ultimate Parent Bank has a dedicated stress testing team that assists business and risk executives in the Banking Group to model and report periodically to management and the Board Risk Committee on a range of scenarios and stress tests.

Portfolio analysis and reporting

Credit portfolios are actively monitored at each layer of the risk structure to ensure credit deterioration is quickly detected and mitigated through the implementation of remediation strategies.

Businesses incurring credit risk undertake regular and comprehensive analysis of their credit portfolios. Issue identification and adherence to performance benchmarks are reported to Risk Management and business executives through a series of reports including monthly 'asset quality' reporting. This process is undertaken by or overseen by Risk Management ensuring an efficient and independent conduit exists to identify and communicate emerging credit issues to Banking Group executives and the Board.

Collateral management

Banking Group credit principles specify lending only what the counterparty has the capacity and ability to repay and the Banking Group sets limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (i.e., interest and capital repayments). Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. Banking Group policy sets out the types of acceptable collateral, including:

- Cash;
- Mortgages over property;
- Charges over business assets, e.g., premises, stock and debtors;
- Charges over financial instruments, e.g., debt securities and equities in support of trading facilities; and
- Financial guarantees.

In the event of customer default, any loan security is usually held as mortgagee in possession while action is taken to realise it. Therefore the Banking Group does not usually hold any real estate or other assets acquired through the enforcement of security.

The Banking Group uses ISDA Master Agreements to document derivatives' activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default occurs, all contracts with the counterparty are terminated and settled on a net basis. Further, it is the Banking Group's preferred practice to include all products covered by the ISDA in the Credit Support Annex ("CSA") in order to achieve further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate mark-to-market (positive or negative) of derivative trades between the two entities, to mitigate the market contingent counterparty risk inherent in the outstanding positions.

Concentrations of credit risk

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

The Banking Group monitors its portfolios to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks. Risk Management, Business Unit executives and senior management monitor large exposure concentrations through a monthly list of the Banking Group's top corporate exposures. The ANZ Credit and Market Risk Committee and Board Risk Committee regularly review a comprehensive list of single customer concentration limits and customers' adherence to these limits.

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

Notes to the Financial Statements

Concentrations of credit risk analysis

$ millions 30/09/2012	Banking Group Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Other financial assets	Credit related commitments [3]	Total
Industry							
Agriculture	-	-	60	17,342	123	1,546	19,071
Forestry, fishing and mining	24	-	14	894	6	322	1,260
Business and property services	19	-	51	9,030	64	2,542	11,706
Construction	-	-	2	1,015	7	1,035	2,059
Entertainment, leisure and tourism	-	-	41	1,165	8	483	1,697
Finance and insurance	2,345	3,696	11,322	501	32	1,349	19,245
Government and local authority [1]	2,002	8,574	405	1,332	9	1,111	13,433
Manufacturing	43	6	98	2,914	21	2,509	5,591
Personal lending	-	-	-	47,339	335	10,990	58,664
Retail trade	28	6	43	1,772	13	1,102	2,964
Transport and storage	25	50	93	1,657	12	579	2,416
Wholesale trade	54	-	21	1,195	8	1,375	2,653
Other[2]	13	63	603	1,798	13	2,302	4,792
	4,553	12,395	12,753	87,954	651	27,245	145,551
Provision for credit impairment	-	-	-	(1,054)	-	-	(1,054)
Fair value hedge adjustment	-	-	-	(2)	-	-	(2)
Unearned finance income and deferred / capitalised fees	-	-	-	(220)	-	-	(220)
Total financial assets	4,553	12,395	12,753	86,678	651	27,245	144,275
Geography							
New Zealand	3,873	10,524	3,582	85,070	639	27,245	130,933
Overseas	680	1,871	9,171	1,608	12	-	13,342
Total financial assets	4,553	12,395	12,753	86,678	651	27,245	144,275

Notes to the Financial Statements

Concentrations of credit risk analysis

$ millions	Banking Group						
30/09/2011	**Liquid assets and due from other financial institutions**	**Trading securities and available-for-sale assets**	**Derivative financial instruments**	**Net loans and advances**	**Other financial assets**	**Credit related commitments [3]**	**Total**
Industry							
Agriculture	38	-	95	17,681	125	1,477	19,416
Forestry, fishing and mining	9	-	12	498	4	326	849
Business & property services	24	-	19	8,847	62	2,054	11,006
Construction	-	-	4	1,073	7	863	1,947
Entertainment, leisure and tourism	-	-	43	1,238	8	419	1,708
Finance and insurance	4,904	3,501	14,159	1,041	258	1,755	25,618
Government and local authority[1]	1,887	6,253	537	1,505	10	1,070	11,262
Manufacturing	41	10	197	2,640	19	3,304	6,211
Personal lending	-	-	-	43,962	329	9,489	53,780
Retail trade	75	2	32	1,778	11	878	2,776
Transport and storage	19	57	42	1,630	11	639	2,398
Wholesale trade	51	-	106	1,218	8	1,306	2,689
Other[2]	36	54	389	1,905	13	2,278	4,675
	7,084	9,877	15,635	85,016	865	25,858	144,335
Provision for credit impairment	-	-	-	(1,156)	-	-	(1,156)
Fair value hedge adjustment	-	-	-	22	-	-	22
Unearned finance income and deferred / capitalised fees	-	-	-	(272)	-	-	(272)
Total financial assets	7,084	9,877	15,635	83,610	865	25,858	142,929
Geography							
New Zealand	5,657	8,017	4,080	82,202	865	25,858	126,679
Overseas	1,427	1,860	11,555	1,408	-	-	16,250
Total financial assets	7,084	9,877	15,635	83,610	865	25,858	142,929

Notes to the Financial Statements

$ millions 30/09/2012	Bank Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Due from subsidiaries	Other financial assets	Credit related commitments[3]	Total
Industry								
Agriculture	**-**	**-**	**60**	**17,043**	**-**	**101**	**1,511**	**18,715**
Forestry, fishing and mining	**24**	**-**	**14**	**754**	**-**	**4**	**320**	**1,116**
Business and property services	**19**	**-**	**51**	**8,894**	**-**	**53**	**2,524**	**11,541**
Construction	**-**	**-**	**2**	**766**	**-**	**5**	**993**	**1,766**
Entertainment, leisure and tourism	**-**	**-**	**41**	**1,128**	**-**	**7**	**478**	**1,654**
Finance and insurance	**2,329**	**3,693**	**11,357**	**494**	**11,619**	**32**	**1,991**	**31,515**
Government and local authority[1]	**2,002**	**8,574**	**405**	**1,103**	**-**	**7**	**1,111**	**13,202**
Manufacturing	**43**	**6**	**98**	**2,773**	**-**	**16**	**2,491**	**5,427**
Personal lending	**-**	**-**	**-**	**46,741**	**-**	**277**	**10,982**	**58,000**
Retail trade	**28**	**6**	**43**	**1,594**	**-**	**9**	**1,013**	**2,693**
Transport and storage	**25**	**50**	**93**	**1,303**	**-**	**8**	**521**	**2,000**
Wholesale trade	**54**	**-**	**21**	**1,135**	**-**	**7**	**1,356**	**2,573**
Other[2]	**13**	**63**	**603**	**1,565**	**-**	**9**	**2,294**	**4,547**
	4,537	**12,392**	**12,788**	**85,293**	**11,619**	**535**	**27,585**	**154,749**
Provision for credit impairment	**-**	**-**	**-**	**(1,016)**	**-**	**-**	**-**	**(1,016)**
Fair value hedge adjustment	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Unearned finance income and deferred / capitalised fees	**-**	**-**	**-**	**44**	**-**	**-**	**-**	**44**
Total financial assets	**4,537**	**12,392**	**12,788**	**84,319**	**11,619**	**535**	**27,585**	**153,775**
Geography								
New Zealand	**3,857**	**10,521**	**3,617**	**82,711**	**11,619**	**525**	**27,585**	**140,435**
Overseas	**680**	**1,871**	**9,171**	**1,608**	**-**	**10**	**-**	**13,340**
Total financial assets	**4,537**	**12,392**	**12,788**	**84,319**	**11,619**	**535**	**27,585**	**153,775**

Notes to the Financial Statements

$ millions 30/09/2011	Bank Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Due from subsidiaries	Other financial assets	Credit related commitments[3]	Total
Industry								
Agriculture	38	-	95	17,378	-	96	1,477	19,084
Forestry, fishing and mining	9	-	12	354	-	2	326	703
Business and property services	24	-	51	8,700	-	48	2,054	10,877
Construction	-	-	4	872	-	4	863	1,743
Entertainment, leisure and tourism	-	-	43	1,198	-	6	419	1,666
Finance and insurance	4,892	3,465	14,181	1,034	11,753	335	4,467	40,127
Government and local authority[1]	1,887	6,253	537	1,266	-	7	1,070	11,020
Manufacturing	41	10	197	2,473	-	14	3,304	6,039
Personal lending	-	-	-	43,417	-	254	9,489	53,160
Retail trade	75	2	42	1,614	-	8	838	2,579
Transport and storage	19	57	106	1,272	-	7	599	2,060
Wholesale trade	51	-	21	1,164	-	6	1,306	2,548
Other[2]	36	54	389	1,665	-	9	2,278	4,431
	7,072	9,841	15,678	82,407	11,753	796	28,490	156,037
Provision for credit impairment	-	-	-	(1,112)	-	-	-	(1,112)
Fair value hedge adjustment	-	-	-	22	-	-	-	22
Unearned finance income and deferred / capitalised fees	-	-	-	(11)	-	-	-	(11)
Total financial assets	7,072	9,841	15,678	81,306	11,753	796	28,490	154,936
Geography								
New Zealand	5,645	7,987	4,106	79,942	11,753	796	28,490	138,719
Overseas	1,427	1,854	11,572	1,364	-	-	-	16,217
Total financial assets	7,072	9,841	15,678	81,306	11,753	796	28,490	154,936

[1] Government and local authority includes exposures to government administration and defence, education and health and community services.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk for on and off balance sheet financial instruments before taking account of the financial effect of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

The table also provides a quantification of the value of the financial charges the Banking Group holds over a borrower's specific asset (or assets) where the Banking Group is able to enforce the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations. For the purposes of this disclosure, where the collateral held is valued at more than the corresponding credit exposure, the financial effect is capped at the value of the credit exposure. In respect of derivative financial instruments, the assessed collateral is the amount of cash collateral received and does not include the effect of any netting arrangements under ISDAs.

The most common types of collateral include:

- Security over real estate including residential, commercial, industrial and rural property
- Cash deposits
- Other security over business assets including specific plant and equipment, inventory and accounts receivables.

The Banking Group also manages its credit risk by accepting other types of collateral such as guarantees and security interests over the assets of a customer's business. The assignable value of such credit mitigants is less certain and their financial effect has not been quantified for disclosure purposes. Credit exposures shown as not fully secured may benefit from such credit mitigants.

Notes to the Financial Statements

$ millions	Banking Group			Bank		
	Maximum exposure to credit risk	Financial effect of collateral	Unsecured portion of credit exposure	Maximum exposure to credit risk	Financial effect of collateral	Unsecured portion of credit exposure
30/09/2012						
On and off-balance sheet positions						
Liquid assets	**2,627**	**325**	**2,302**	**2,611**	**325**	**2,286**
Due from other financial institutions	**1,722**	**270**	**1,452**	**1,722**	**270**	**1,452**
Trading securities	**12,338**	**-**	**12,338**	**12,338**	**-**	**12,338**
Derivative financial instruments	**12,753**	**257**	**12,496**	**12,788**	**257**	**12,531**
Available-for-sale assets	**54**	**-**	**54**	**54**	**-**	**54**
Net loans and advances	**86,678**	**78,460**	**8,218**	**84,319**	**76,468**	**7,851**
Due from subsidiaries	**-**	**-**	**-**	**11,619**	**-**	**11,619**
Other financial assets	**651**	**351**	**300**	**535**	**351**	**184**
Credit related commitments	**27,245**	**12,307**	**14,938**	**27,585**	**12,055**	**15,530**
Total exposure to credit risk	**144,068**	**91,970**	**52,098**	**153,571**	**89,726**	**63,845**
30/09/2011						
On and off-balance sheet positions						
Liquid assets	2,266	50	2,216	2,254	50	2,204
Due from other financial institutions	4,629	1,692	2,937	4,629	1,692	2,937
Trading securities	9,466	-	9,466	9,466	-	9,466
Derivative financial instruments	15,635	1,475	14,160	15,678	1,475	14,203
Available-for-sale assets	289	-	289	288	-	288
Net loans and advances	83,610	75,511	8,099	81,306	73,589	7,717
Due from subsidiaries	-	-	-	11,753	-	11,753
Other financial assets	865	560	305	796	560	236
Credit related commitments	25,858	11,439	14,419	28,490	13,425	15,065
Total exposure to credit risk	142,618	90,727	51,891	154,660	90,791	63,869

Credit quality

A core component of the Banking Group's credit risk management capability is the risk grading framework used across all major business units. A set of risk grading principles and policies is supported by a complementary risk grading methodology. Pronouncements by the International Basel Committee on Banking Supervision have been encapsulated in these principles and policies including governance, validation and modelling requirements.

The Banking Group's risk grade profile changes dynamically through new counterparty lending and existing counterparty movements in either risk or volume. All counterparty risk grades are subject to frequent review, including statistical and behavioural reviews in consumer and small business segments, and individual counterparty reviews in segments with larger single name borrowers.

Impairment and provisioning of financial assets

The Banking Group's policy relating to the recognition and measurement of impaired assets conforms to the RBNZ's guidelines.

Loans are classified as either performing or impaired. Impaired assets are credit exposures where: there is doubt as to whether the full contractual amount (including interest) will be received; a material credit obligation is 90 days past due but not well secured; they are portfolio managed and can be held for up to 180 days past due; or concessional terms have been provided due to the financial difficulties of the customer.

An exposure is classified as past due but not impaired (less than 90 days) where the value of collateral is sufficient to repay both the principal debt and all other potential interest and there is no concern as to the creditworthiness of the counterparty in question.

The past due but not impaired (over 90 days) classification applies where contractual payments are past due by 90 days or more, or where the facility remains outside of contractual arrangements for 90 or more consecutive days, but the Banking Group believes that impairment is not appropriate on the basis of the level of security/collateral available, or the facility is portfolio managed.

The provision for credit impairment represents management's best estimate of the losses incurred in the loan portfolio at balance date based on its experienced judgement.

Distribution of gross loans and advances assets by credit quality

The credit quality of the portfolio of loans and advances is assessed by reference to the Banking Group's risk grading principles and policies supported by a complementary risk grading methodology.

Notes to the Financial Statements

Distribution by asset class of gross loans and advances by credit quality

	Banking Group				Bank			
$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2012								
Strong risk rating	**33,258**	**1,140**	**19,994**	**54,392**	**33,258**	**1,140**	**19,362**	**53,760**
Satisfactory risk rating	**8,635**	**2,466**	**15,590**	**26,691**	**8,635**	**1,590**	**14,641**	**24,866**
Substandard but not past due or impaired	**891**	**408**	**2,118**	**3,417**	**891**	**387**	**2,042**	**3,320**
Total neither past due nor impaired	**42,784**	**4,014**	**37,702**	**84,500**	**42,784**	**3,117**	**36,045**	**81,946**
Past due but not impaired:								
1 to 5 days	**326**	**139**	**458**	**923**	**326**	**132**	**456**	**914**
6 to 29 days	**363**	**92**	**181**	**636**	**363**	**77**	**171**	**611**
1 to 29 days	**689**	**231**	**639**	**1,559**	**689**	**209**	**627**	**1,525**
30 to 59 days	**127**	**32**	**67**	**226**	**127**	**27**	**66**	**220**
60 to 89 days	**48**	**17**	**28**	**93**	**48**	**15**	**25**	**88**
90 days and over	**91**	**33**	**86**	**210**	**91**	**30**	**81**	**202**
Total past due but not impaired	**955**	**313**	**820**	**2,088**	**955**	**281**	**799**	**2,035**
Total impaired assets	**313**	**44**	**1,009**	**1,366**	**313**	**44**	**955**	**1,312**
	44,052	**4,371**	**39,531**	**87,954**	**44,052**	**3,442**	**37,799**	**85,293**
30/09/2011								
Strong risk rating	30,966	1,071	17,297	49,334	30,966	1,071	16,401	48,438
Satisfactory risk rating	7,277	2,312	16,561	26,150	7,277	1,590	15,739	24,606
Substandard but not past due or impaired	1,484	557	3,489	5,530	1,484	546	3,459	5,489
Total neither past due nor impaired	39,727	3,940	37,347	81,014	39,727	3,207	35,599	78,533
Past due but not impaired:								
1 to 5 days	336	126	545	1,007	336	126	536	998
6 to 29 days	365	94	119	578	365	70	116	551
1 to 29 days	701	220	664	1,585	701	196	652	1,549
30 to 59 days	167	35	99	301	167	27	97	291
60 to 89 days	60	18	24	102	60	15	24	99
90 days and over	133	38	117	288	133	32	107	272
Total past due but not impaired	1,061	311	904	2,276	1,061	270	880	2,211
Total impaired assets	471	61	1,194	1,726	471	61	1,131	1,663
	41,259	4,312	39,445	85,016	41,259	3,538	37,610	82,407

Credit quality of gross loans and advances neither past due nor impaired

The credit quality of financial assets is assessed by the Banking Group using internal ratings which aim to reflect the relative ability of counterparties to fulfil, on time, their credit-related obligations, and is based on their current probability of default.

Internal ratings

Strong risk rating - Corporate customers demonstrating superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. Retail customers with low expected loss. This rating band broadly corresponds to ratings "Aaa" to "Ba1" and "AAA" to "BB+" of Moody's Investors Service and Standard & Poor's respectively.

Satisfactory risk rating - Corporate customers consistently demonstrating sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings. Retail customers with moderate expected loss. This rating band broadly corresponds to ratings "Ba2" to "B1" and "BB" to "B+" of Moody's Investors Service and Standard & Poor's respectively.

Substandard but not past due or impaired - Corporate customers demonstrating some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. Retail customers with higher expected loss. This rating band broadly corresponds to ratings "B2" to "Caa" and "B" to "CCC" of Moody's Investors Service and Standard & Poor's respectively.

Movements in the rating categories between balance dates are due to both changes in the underlying internal ratings applied to customers and to new loans written or loans rolling off.

Notes to the Financial Statements

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

Ageing analysis of past due loans is used by the Banking Group to measure and manage credit quality. Financial assets that are past due but not impaired include those:

- Assessed, approved and managed on a portfolio basis within a centralised environment (for example, credit cards and personal loans);
- Held on a productive basis until they are 180 days past due; and
- Managed on an individual basis.

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

Market risk

Market risk is the risk to the Banking Group's earnings arising from changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. Market risk is generated through both trading activities and the interest rate risk inherent in the banking book.

The Banking Group conducts trading operations in interest rates, foreign exchange, commodities and debt securities. Trading operations largely focus on supporting customer hedging and investing activities, rather than outright proprietary trading. A medium market risk appetite has been set for the Banking Group, which is reflected in its low/moderate market risk limit framework.

The Banking Group has a detailed risk management and control framework to support its trading and balance sheet management activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios. This approach, and related analysis, identifies the range of possible outcomes that can be expected over a given period of time, establishes the relative likelihood of those outcomes and allocates an appropriate amount of capital to support these activities.

Market risk management and control responsibilities

The Board Risk Committee has delegated responsibility for the oversight of market risk to the Asset & Liability Committee ("ALCO"), chaired by the Chief Executive Officer of the Banking Group. ALCO are required to ensure that market risk exposure across Traded and Non-Traded portfolios remains within the risk appetite specified by the Board Risk Committee. ALCO receive regular reporting on a range of trading and balance sheet market risk exposures.

The Risk Management division of the Banking Group, through the Chief Risk Officer, is responsible for the day-to-day oversight of market risk. This includes the implementation of a comprehensive limit and policy framework to control the amount of risk that the Banking Group will accept. Market risk limits are allocated at various levels and are reported and monitored on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes (e.g., interest rates, foreign exchange), risk factors (e.g., interest rates, volatilities) and profit and loss limits (to monitor and manage the performance of the trading portfolios).

Additional oversight and monitoring of material risk exposures of the Banking Group is undertaken by the Risk Management functions of the Ultimate Parent Bank.

Within overall strategies and policies, the control of market risk is the joint responsibility of business units and Risk Management, with the delegation of market risk limits from the Board Risk Committee to both Risk Management and the business units.

These risks are monitored daily against a comprehensive limit framework that includes Value at Risk, aggregate market position and sensitivity, product and geographic thresholds. To facilitate the management, control, measurements and reporting of market risk, the Banking Group has grouped market risk into two broad categories:

a. Traded market risk

This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. They arise in trading transactions where the Banking Group acts as principal with clients or with the market. The principal risk categories monitored are:

- Currency risk is the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.
- Interest rate risk is the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities.
- Credit spread risk is the potential loss arising from a change in value of an instrument due to a movement of its margin or spread relative to a bench mark.

Notes to the Financial Statements

b. Non-traded market risk (or balance sheet risk)

This comprises the management of non-traded interest rate risk, liquidity, and the risk to capital and earnings as a result of movements in market rates.

Some instruments do not fall into either category but also expose the Banking Group to market risk. These include equity securities classified as available-for-sale. Regular reviews are performed to substantiate the valuation of these types of instruments.

In all trading areas the Banking Group has implemented models that calculate Value at Risk ("VaR") exposures, monitor risk exposures against defined limits on a daily basis, and "stress test" trading portfolios.

VaR measure

A key measure of market risk is VaR. VaR is a statistical estimate of the likely daily loss and is based on historical market movements.

The confidence level is such that there is 97.5% or 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely there is a 2.5% or 1% probability of the decrease in market value exceeding the VaR estimate on any given day. The 99% confidence level encompasses a wider range of potential outcomes.

The Banking Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Banking Group calculates VaR using historical changes in market rates and prices over the previous 500 business days. Traded and Non-Traded VaR is calculated using a one-day holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Banking Group could experience from an extreme market event. As a result of this limitation, the Banking Group utilises a number of other risk measures (e.g. stress testing) and associated detailed control limits to measure and manage market risk.

Traded market risks

$ millions	Banking Group Value at risk at 97.5% confidence				Banking Group Value at risk at 99% confidence			
	Period end	High for year	Low for year	Average for year	Period end	High for year	Low for year	Average for year
30/09/2012								
Foreign exchange risk	**0.1**	**1.0**	**0.1**	**0.3**	**0.2**	**1.4**	**0.2**	**0.4**
Interest rate risk	**1.9**	**4.4**	**1.3**	**2.6**	**2.7**	**6.4**	**1.6**	**3.6**
Credit spread risk	**0.3**	**1.1**	**0.2**	**0.6**	**0.4**	**1.2**	**0.2**	**0.7**
Diversification benefit	**(0.4)**	**n/a**	**n/a**	**(0.9)**	**(0.7)**	**n/a**	**n/a**	**(1.2)**
Total VaR	**1.9**	**4.4**	**1.2**	**2.6**	**2.6**	**6.3**	**1.5**	**3.5**
30/09/2011								
Foreign exchange risk	0.4	0.9	0.2	0.4	0.4	1.3	0.3	0.5
Interest rate risk	1.9	4.3	1.2	2.8	2.3	7.2	1.6	3.9
Credit spread risk	0.8	1.0	0.3	0.6	0.9	1.1	0.4	0.7
Diversification benefit	(1.1)	n/a	n/a	(1.0)	(1.4)	n/a	n/a	(1.3)
Total VaR	2.0	4.4	1.4	2.8	2.2	6.7	1.8	3.8

Traded market risk VaR is calculated separately for foreign exchange and for interest rate/debt markets businesses as well as for the Banking Group. The diversification benefit reflects the historical correlation between foreign exchange, interest rate and debt markets.

To supplement the VaR methodology, the Banking Group applies a wide range of stress tests, both on individual portfolios and at the Banking Group level. The Banking Group's stress-testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures of the Banking Group.

Non-traded market risk (or balance sheet risk)

The principal objectives of balance sheet management are to manage net interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to manage the market value of the Banking Group's capital. Liquidity risk is dealt with in the next section.

Notes to the Financial Statements

Interest rate risk

The objective of balance sheet interest rate risk management is to mitigate the negative impact of movements in wholesale interest rates on the earnings of the Banking Group's banking book. Non-traded interest rate risk relates to the potential adverse impact to earnings from changes in market interest rates. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

As part of normal business activity the Banking Group has additional risks from fixed rate mortgage prepayments and basis risk:

- Prepayment risk is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to the Banking Group of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation.
- Basis risk is the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing. This is managed through active review of product margins.

Non-traded interest rate risk is managed to both value and earnings at risk limits. Interest rate risk is reported using three measures: VaR; scenario analysis (to a 1% shock); and interest rate sensitivity gap. This treatment excludes the effect of prepayment and basis risk.

a. Non-traded interest rate risk VaR

	Banking Group			
$ millions	Period end	High for year	Low for year	Average for year
30/09/2012				
Value at risk at 97.5% confidence	**8.7**	**10.9**	**7.2**	**8.8**
30/09/2011				
Value at risk at 97.5% confidence	7.9	13.5	7.3	9.3

b. Scenario analysis – A 1% shock on the next 12 months' net interest income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the succeeding 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and comparative periods – expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	Banking Group	
	30/09/2012	30/09/2011
Impact of 1% rate shock		
Period end	**1.1%**	1.4%
Maximum exposure	**2.3%**	1.5%
Minimum exposure	**0.9%**	-0.1%
Average exposure (in absolute terms)	**1.7%**	0.7%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. The Banking Group quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model.

The majority of the Banking Group's non-traded interest exposure exists in New Zealand. A separate balance sheet simulation process supplements the static gap information. This allows the net interest income outcomes of a number of different scenarios, with different market interest rate environments and future balance sheet structures, to be identified. This better enables the Banking Group to quantify the interest rate risks associated with the balance sheet and to formulate strategies to manage current and future risk profiles.

Notes to the Financial Statements

Interest rate sensitivity gap

The interest rate sensitivity gap analysis provides information about the Banking Group's exposure to interest rate risk.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

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

The repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Banking Group’s discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

				Banking Group			
30/09/2012		**Less than**	**3 to 6**	**6 to 12**	**1 to 2**	**Beyond**	**Not bearing**
$ millions	**Total**	**3 months**	**months**	**months**	**years**	**2 years**	**interest**
Assets							
Liquid assets	**2,831**	**2,626**	**-**	**-**	**-**	**-**	**205**
Due from other financial institutions	**1,722**	**1,653**	**-**	**-**	**-**	**-**	**69**
Trading securities	**12,338**	**1,465**	**161**	**3,042**	**1,121**	**6,549**	**-**
Derivative financial instruments	**12,753**	**-**	**-**	**-**	**-**	**-**	**12,753**
Available-for-sale assets	**57**	**46**	**5**	**3**	**-**	**-**	**3**
Net loans and advances	**86,678**	**63,168**	**3,144**	**6,818**	**8,967**	**4,431**	**150**
Other financial assets	**651**	**104**	**11**	**27**	**-**	**-**	**509**
Total financial assets	**117,030**	**69,062**	**3,321**	**9,890**	**10,088**	**10,980**	**13,689**
Liabilities							
Due to other financial institutions	**1,759**	**1,073**	**-**	**-**	**-**	**154**	**532**
Deposits and other borrowings	**73,652**	**47,398**	**11,939**	**6,694**	**1,641**	**1,142**	**4,838**
Due to Immediate Parent Company	**740**	**740**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**13,930**	**-**	**-**	**-**	**-**	**-**	**13,930**
Bonds and notes	**17,244**	**6,266**	**-**	**2,495**	**253**	**8,230**	**-**
Loan capital	**1,168**	**-**	**333**	**835**	**-**	**-**	**-**
Other financial liabilities	**1,248**	**14**	**3**	**1**	**-**	**88**	**1,142**
Total financial liabilities	**109,741**	**55,491**	**12,275**	**10,025**	**1,894**	**9,614**	**20,442**
Hedging instruments	**-**	**2,206**	**2,867**	**(9,177)**	**2,490**	**1,614**	**-**
Interest sensitivity gap	**7,289**	**15,777**	**(6,087)**	**(9,312)**	**10,684**	**2,980**	**(6,753)**

Notes to the Financial Statements

30/09/2011 $ millions	Banking Group Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	2,455	2,266	-	-	-	-	189
Due from other financial institutions	4,629	3,981	-	-	-	-	648
Trading securities	9,466	2,684	18	496	2,218	4,050	-
Derivative financial instruments	15,635	-	-	-	-	-	15,635
Available-for-sale assets	411	94	72	122	-	-	123
Net loans and advances	83,610	62,082	4,353	6,676	6,436	3,513	550
Other financial assets	865	66	4	7	14	6	768
Total financial assets	117,071	71,173	4,447	7,301	8,668	7,569	17,913
Liabilities							
Due to other financial institutions	3,711	3,238	-	-	-	62	411
Deposits and other borrowings	69,238	46,510	11,227	4,427	1,080	1,517	4,477
Due to Immediate Parent Company	174	174	-	-	-	-	-
Derivative financial instruments	15,118	-	-	-	-	-	15,118
Bonds and notes	17,406	6,875	-	2,110	4,348	4,073	-
Loan capital	1,988	-	250	903	835	-	-
Other financial liabilities	2,237	24	-	-	2	189	2,022
Total financial liabilities	109,872	56,821	11,477	7,440	6,265	5,841	22,028
Hedging instruments	-	(6,788)	8,598	(3,634)	1,624	200	-
Interest sensitivity gap	7,199	7,564	1,568	(3,773)	4,027	1,928	(4,115)

30/09/2012 $ millions	Bank Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	**2,815**	**2,610**	**-**	**-**	**-**	**-**	**205**
Due from other financial institutions	**1,722**	**1,653**	**-**	**-**	**-**	**-**	**69**
Trading securities	**12,338**	**1,465**	**161**	**3,042**	**1,121**	**6,549**	**-**
Derivative financial instruments	**12,788**	**-**	**-**	**-**	**-**	**-**	**12,788**
Available-for-sale assets	**54**	**46**	**5**	**3**	**-**	**-**	**-**
Net loans and advances	**84,319**	**62,051**	**3,031**	**6,463**	**8,653**	**3,989**	**132**
Due from subsidiaries	**11,619**	**11,619**	**-**	**-**	**-**	**-**	**-**
Other financial assets	**535**	**-**	**-**	**-**	**-**	**-**	**535**
Total financial assets	**126,190**	**79,444**	**3,197**	**9,508**	**9,774**	**10,538**	**13,729**
Liabilities							
Due to other financial institutions	**1,555**	**869**	**-**	**-**	**-**	**154**	**532**
Deposits and other borrowings	**66,731**	**43,647**	**9,630**	**6,089**	**1,522**	**1,009**	**4,834**
Due to subsidiaries	**37,940**	**22,221**	**2,615**	**3,868**	**1,775**	**7,104**	**357**
Due to Immediate Parent Company	**740**	**740**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**13,930**	**-**	**-**	**-**	**-**	**-**	**13,930**
Bonds and notes	**2,500**	**637**	**-**	**100**	**176**	**1,587**	**-**
Loan capital	**1,168**	**-**	**333**	**835**	**-**	**-**	**-**
Other financial liabilities	**1,065**	**14**	**3**	**1**	**-**	**88**	**959**
Total financial liabilities	**125,629**	**68,128**	**12,581**	**10,893**	**3,473**	**9,942**	**20,612**
Hedging instruments	**-**	**(1,803)**	**3,429**	**(7,878)**	**4,188**	**2,064**	**-**
Interest sensitivity gap	**561**	**9,513**	**(5,955)**	**(9,263)**	**10,489**	**2,660**	**(6,883)**

Notes to the Financial Statements

30/09/2011 $ millions	Total	Less than 3 months	3 to 6 months	Bank 6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	2,443	2,254	-	-	-	-	189
Due from other financial institutions	4,629	3,981	-	-	-	-	648
Trading securities	9,466	2,684	18	496	2,218	4,050	-
Derivative financial instruments	15,678	-	-	-	-	-	15,678
Available-for-sale assets	375	94	72	122	-	-	87
Net loans and advances	81,306	60,977	4,207	6,459	5,952	3,182	529
Due from subsidiaries	11,753	10,841	-	-	-	-	912
Other financial assets	796	-	-	-	-	-	796
Total financial assets	126,446	80,831	4,297	7,077	8,170	7,232	18,839
Liabilities							
Due to other financial institutions	3,711	3,238	-	-	-	62	411
Deposits and other borrowings	63,007	42,302	9,781	4,089	951	1,407	4,477
Due to subsidiaries	37,716	23,851	1,924	3,233	5,285	3,343	80
Due to Immediate Parent Company	174	174	-	-	-	-	-
Derivative financial instruments	15,118	-	-	-	-	-	15,118
Bonds and notes	2,073	642	-	148	98	1,185	-
Loan capital	1,988	-	250	903	835	-	-
Other financial liabilities	2,075	24	-	-	2	189	1,860
Total financial liabilities	125,862	70,231	11,955	8,373	7,171	6,186	21,946
Hedging instruments	-	(5,989)	7,043	(3,446)	1,848	544	-
Interest sensitivity gap	584	4,611	(615)	(4,742)	2,847	1,590	(3,107)

Equity price risk

The portfolio of financial assets classified as available-for-sale contains equity investment holdings held for longer term strategic intentions. These equity investments are also subject to market risk which is not captured by the VaR measures for traded and non-traded market risks. The fair value of these securities as at 30 September 2012 was $3 million (30/09/2011 $122 million). A 10 per cent reduction in the value of the available-for-sale equity securities would not be material.

Foreign currency related risks

This risk relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates.

For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities, and consequent foreign currency exposures arising from each class of financial asset and liability, whether recognised or unrecognised, within each currency are not material.

The net open position in each foreign currency represents the net on-balance sheet assets and liabilities in that foreign currency aggregated with the net expected future cash flows from off-balance sheet purchases and sales from foreign exchange transactions in that foreign currency. The amounts are stated in New Zealand dollar equivalents translated using the spot exchange rates as at balance sheet date.

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Net open position				
Australian dollar	**1**	(4)	**1**	(4)
Euro	**1**	-	**1**	-
Japanese yen	**1**	-	**1**	-
Pound sterling	**1**	-	**1**	-
US dollar	**1**	2	**1**	2
Other	**1**	-	**1**	-
Total net open position	**6**	(2)	**6**	(2)

Notes to the Financial Statements

Liquidity risk

Liquidity risk is the risk that the Banking Group is unable to meet its payment obligations as they fall due. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Banking Group.

The Banking Group's liquidity and funding risks are governed by a detailed policy framework which is approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards. The core objective of the Banking Group's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses.

Central to the Banking Group's liquidity risk management approach is the establishment of a liquidity risk appetite framework to which the Banking Group must conform at all times. The risk appetite for liquidity has been set as low, and this objective is achieved by the Banking Group managing liquidity risks within the boundaries of the following requirements and principles:

- Maintaining the ability to meet all payment obligations in the immediate term.
- Ensuring the ability to meet "survival horizons" under a range of the Banking Group specific and general market liquidity stress scenarios.
- Maintaining strength in the Banking Group's balance sheet structure to ensure long term resilience in the Banking Group's liquidity and funding risk profile.
- Limiting the potential earnings at risk associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Ensuring the liquidity management framework is compatible with regulatory requirements.
- Daily liquidity reporting and scenario analysis, quantifying the Banking Group's positions.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Establishing detailed contingency plans to cover different liquidity crisis events.

Management of liquidity and funding risks are overseen by ALCO.

Supervision and Regulation

The RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing domestic and foreign currency liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario Modelling

A key component of the Banking Group's liquidity management framework is scenario modelling. Liquidity is assessed under different scenarios, including "going-concern", "name-crisis" and various "survival horizons".

"Going-concern": reflects the normal behaviour of cash flows in the ordinary course of business. The Banking Group must be able to meet all commitments and obligations under a going concern scenario, within the Banking Group normal funding capacity ('available to fund' limit), over at least the following 30 calendar days. In estimating the funding requirement, the Banking Group models expected cash flows by reference to historical behaviour and contractual maturity data.

"Name-crisis": refers to a potential name-specific liquidity crisis scenario which models the behaviour of cash flows where there is a problem (real or perceived) which may include, but is not limited to, operational issues, doubts about the solvency of the Banking Group, or adverse rating changes. Under this scenario the Banking Group may have significant difficulty rolling over or replacing funding. Under the liquidity policy the Banking Group must be cash flow positive over an eight calendar day period.

"Survival horizons": The global financial crisis has highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events. The Banking Group has linked its liquidity risk appetite to defined liquidity "survival horizons" (i.e. the time period under which the Banking Group must maintain a positive cash flow position). The following stressed scenarios are modelled:

- Extreme Short Term Crisis Scenario: A name-specific stress during a period of market stress.
- Short Term Crisis Scenario: A name-specific stress during a period of normal markets conditions.
- Global Funding Market Disruption: Stressed global wholesale funding markets leading to a closure of domestic and offshore markets.
- Offshore Funding Market Disruption: Stressed global wholesale funding markets leading to a closure of offshore markets only.

As of 30 September 2012 the Banking Group was in compliance with all of the above scenarios.

Notes to the Financial Statements

Funding Composition

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

	Banking Group		Bank	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Funding composition				
Customer deposits[1]				
New Zealand	**58,383**	55,044	**57,029**	53,719
Overseas	**7,668**	6,950	**7,546**	6,827
Total customer deposits	**66,051**	61,994	**64,575**	60,546
Wholesale funding				
Bonds and notes	**17,244**	17,406	**2,500**	2,073
Loan capital	**1,168**	1,988	**1,168**	1,988
Certificates of deposit	**2,156**	2,454	**2,156**	2,461
Commercial paper	**5,445**	4,790	**-**	-
Due to subsidiaries	**-**	-	**37,940**	37,716
Due to Immediate Parent Company	**740**	174	**740**	174
Due to other financial institutions	**1,759**	3,711	**1,555**	3,711
Total wholesale funding	**28,512**	30,523	**46,059**	48,123
Total funding	**94,563**	92,517	**110,634**	108,669
Concentrations of funding by industry				
Households	**42,761**	40,595	**41,285**	39,107
Agriculture	**2,259**	2,240	**2,259**	2,240
Forestry, fishing and mining	**488**	504	**488**	504
Manufacturing	**1,595**	2,464	**1,595**	2,464
Entertainment, leisure and tourism	**585**	668	**585**	668
Finance and insurance	**37,233**	37,607	**54,780**	55,246
Retail trade	**718**	690	**718**	690
Wholesale trade	**975**	873	**975**	873
Business and property services	**3,616**	3,281	**3,616**	3,281
Transport and storage	**672**	507	**672**	507
Construction	**753**	762	**753**	762
Government and local authority	**1,754**	1,347	**1,754**	1,348
Other[2]	**1,154**	979	**1,154**	979
Total funding	**94,563**	92,517	**110,634**	108,669
Concentrations of funding by geography[3]				
New Zealand	**64,934**	61,375	**81,127**	77,650
Australia	**1,370**	2,899	**1,353**	2,879
United States	**13,231**	14,635	**13,221**	14,625
Europe	**9,291**	8,552	**9,261**	8,527
Other countries	**5,737**	5,056	**5,672**	4,988
Total funding	**94,563**	92,517	**110,634**	108,669

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

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

Notes to the Financial Statements

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency while targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term wholesale funding requirements, with a contractual maturity of less than one year, are managed through the Treasury and Markets operations. Long-term wholesale funding is managed and executed through Treasury operations.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group does not become reliant on issuing large volumes of new wholesale funding within a short time period. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Funding capacity limits are determined at the Ultimate Parent Bank level and allocated to individual sites based on their requirements. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by monthly updates and is linked to the Banking Group's three year strategic planning cycle.

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support liquidity risk management. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its liquidity policy.

Total liquidity portfolio	**Banking Group**		**Bank**	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Balances with central banks	**1,973**	1,765	**1,973**	1,765
Securities purchased under agreement to resell	**105**	992	**105**	992
Certificates of deposit	**100**	1,562	**100**	1,562
Government, local body stock and bonds	**8,220**	4,329	**8,220**	4,329
Government treasury bills	**17**	169	**17**	169
Other bonds	**3,768**	3,269	**3,768**	3,269
Total liquidity portfolio	**14,183**	12,086	**14,183**	12,086

Assets held for managing liquidity risk include short term cash held with the RBNZ, New Zealand Government securities, securities issued by supranational agencies, securities issued by highly rated banks and securities issued by State Owned Enterprises, Local Authorities and highly rated NZ domestic corporates. These assets would be accepted as collateral by the RBNZ in repurchase transactions. At 30 September 2012 the Banking Group would be eligible to enter into repurchase transactions with a value of $13,770 million. The Banking Group also held unencumbered internal residential mortgage backed securities ("RMBS") which would entitle the Banking Group to enter into repurchase transactions with a value of $3,735 million at 30 September 2012 (the RBNZ has imposed a cap limiting the amount of RMBS deemed as eligible in the liquidity portfolio to 4% of total assets).

Liquidity crisis contingency planning

The Banking Group maintains liquidity crisis contingency plans defining an approach for analysing and responding to a liquidity-threatening event on a group wide basis. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- outlined action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls;
- guidelines determining the priority of customer relationships in the event of liquidity problems; and
- assigned responsibilities for internal and external communications.

Notes to the Financial Statements

Contractual maturity analysis of financial assets and liabilities

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

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

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

	Banking Group						
$ millions			Less than	3 to 12		Beyond	No maturity
30/09/2012	**Total**	**At call**	**3 months**	**months**	**1 to 5 years**	**5 years**	**specified**
Financial assets							
Liquid assets	**2,834**	**2,506**	**328**	**-**	**-**	**-**	**-**
Due from other financial institutions	**1,723**	**139**	**1,584**	**-**	**-**	**-**	**-**
Trading securities	**13,353**	**-**	**152**	**3,667**	**6,969**	**2,565**	**-**
Derivative financial assets (trading)	**11,395**	**-**	**11,395**	**-**	**-**	**-**	**-**
Available-for-sale assets	**65**	**-**	**1**	**13**	**48**	**-**	**3**
Net loans and advances	**117,600**	**-**	**14,891**	**17,194**	**36,313**	**49,202**	**-**
Other financial assets	**294**	**-**	**216**	**76**	**2**	**-**	**-**
Total financial assets	**147,264**	**2,645**	**28,567**	**20,950**	**43,332**	**51,767**	**3**
Financial liabilities							
Due to other financial institutions	**1,791**	**932**	**628**	**5**	**37**	**189**	**-**
Deposits and other borrowings	**74,977**	**30,272**	**22,682**	**18,840**	**3,183**	**-**	**-**
Due to Immediate Parent Company	**741**	**-**	**741**	**-**	**-**	**-**	**-**
Derivative financial liabilities (trading)	**13,104**	**-**	**13,104**	**-**	**-**	**-**	**-**
Bonds and notes	**18,399**	**-**	**1,636**	**2,872**	**11,731**	**2,160**	**-**
Loan capital	**1,829**	**-**	**24**	**71**	**472**	**94**	**1,168**
Other financial liabilities	**723**	**-**	**600**	**10**	**65**	**48**	**-**
Total financial liabilities	**111,564**	**31,204**	**39,415**	**21,798**	**15,488**	**2,491**	**1,168**
Net financial assets / (liabilities)	**35,700**	**(28,559)**	**(10,848)**	**(848)**	**27,844**	**49,276**	**(1,165)**
Derivative financial instruments used for balance sheet management							
- gross inflows	**16,700**	**-**	**1,277**	**3,710**	**10,098**	**1,615**	**-**
- gross outflows	**(15,932)**	**-**	**(1,182)**	**(3,471)**	**(9,674)**	**(1,605)**	**-**
Net financial assets / (liabilities) after balance sheet management	**36,468**	**(28,559)**	**(10,753)**	**(609)**	**28,268**	**49,286**	**(1,165)**

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Banking Group		
$ millions		Less than	Beyond
30/09/2012	**Total**	**1 year**	**1 year**
Non-credit related commitments	**355**	**124**	**231**
Credit related commitments	**25,440**	**25,440**	**-**
Contingent liabilities	**1,805**	**1,805**	**-**
Total	**27,600**	**27,369**	**231**

Notes to the Financial Statements

$ millions 30/09/2011	Banking Group Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,455	2,455	-	-	-	-	-
Due from other financial institutions	4,637	972	3,665	-	-	-	-
Trading securities	10,220	-	1,797	851	6,984	588	-
Derivative financial assets (trading)	13,930	-	13,930	-	-	-	-
Available-for-sale assets	418	-	73	201	-	21	123
Net loans and advances	113,431	-	10,258	21,631	32,072	49,470	-
Other financial assets	522	-	491	11	14	6	-
Total financial assets	145,613	3,427	30,214	22,694	39,070	50,085	123
Financial liabilities							
Due to other financial institutions	3,711	726	2,923	-	-	62	-
Deposits and other borrowings	70,611	26,340	24,483	16,785	2,887	116	-
Due to Immediate Parent Company	176	-	176	-	-	-	-
Derivative financial liabilities (trading)	13,522	-	13,522	-	-	-	-
Bonds and notes	18,482	-	1,353	3,712	13,094	323	-
Loan capital	3,135	-	40	120	797	1,005	1,173
Other financial liabilities	1,681	-	1,440	6	198	37	-
Total financial liabilities	111,318	27,066	43,937	20,623	16,976	1,543	1,173
Net financial assets / (liabilities)	34,295	(23,639)	(13,723)	2,071	22,094	48,542	(1,050)
Derivative financial instruments used for balance sheet management							
- gross inflows	19,833	-	2,822	5,478	11,463	70	-
- gross outflows	(19,451)	-	(3,059)	(5,475)	(10,840)	(77)	-
Net financial assets / (liabilities) after balance sheet management	34,677	(23,639)	(13,960)	2,074	22,717	48,535	(1,050)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2011	Banking Group Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	257	93	164
Credit related commitments	23,053	23,053	-
Contingent liabilities	2,805	2,805	-
Total	26,115	25,951	164

Notes to the Financial Statements

$ millions 30/09/2012	Total	At call	Less than 3 months	Bank 3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,818	2,490	328	-	-	-	-
Due from other financial institutions	1,722	37	1,685	-	-	-	-
Trading securities	13,353	-	152	3,667	6,969	2,565	-
Derivative financial assets (trading)	11,404	-	11,404	-	-	-	-
Available-for-sale assets	62	-	1	13	48	-	-
Net loans and advances	114,645	-	14,227	16,388	34,944	49,086	-
Due from subsidiaries	19,427	-	3,554	273	2,902	12,698	-
Other financial assets	102	-	102	-	-	-	-
Total financial assets	163,533	2,527	31,453	20,341	44,863	64,349	-
Financial liabilities							
Due to other financial institutions	1,587	932	424	5	37	189	-
Deposits and other borrowings	67,971	30,256	19,513	15,299	2,903	-	-
Due to subsidiaries	44,707	-	9,442	6,345	15,522	13,398	-
Due to Immediate Parent Company	741	-	741	-	-	-	-
Derivative financial liabilities (trading)	13,104	-	13,104	-	-	-	-
Bonds and notes	3,020	-	19	220	2,188	593	-
Loan capital	1,829	-	24	71	472	94	1,168
Other financial liabilities	655	-	532	10	65	48	-
Total financial liabilities	133,614	31,188	43,799	21,950	21,187	14,322	1,168
Net financial assets / (liabilities)	29,919	(28,661)	(12,346)	(1,609)	23,676	50,027	(1,168)
Derivative financial instruments used for balance sheet management							
- gross inflows	19,240	-	1,347	3,911	10,991	2,991	-
- gross outflows	(23,082)	-	(1,238)	(3,636)	(10,553)	(7,655)	-
Net financial assets / (liabilities) after balance sheet management	26,077	(28,661)	(12,237)	(1,334)	24,114	45,363	(1,168)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2012	Total	Bank Less than 1 year	Beyond 1 year
Non-credit related commitments	328	115	213
Credit related commitments	25,781	25,781	-
Contingent liabilities	1,804	1,804	-
Total	27,913	27,700	213

Notes to the Financial Statements

$ millions 30/09/2011	Bank Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,443	2,443	-	-	-	-	-
Due from other financial institutions	4,637	972	3,665	-	-	-	-
Trading securities	10,220	-	1,797	851	6,984	588	-
Derivative financial instruments (trading)	13,936	-	13,936	-	-	-	-
Available-for-sale assets	380	-	71	201	-	21	87
Net loans and advances	110,507	-	9,804	21,320	30,129	49,254	-
Due from subsidiaries	11,772	-	2,401	-	-	9,371	-
Other financial assets	373	-	373	-	-	-	-
Total financial assets	154,268	3,415	32,047	22,372	37,113	59,234	87
Financial liabilities							
Due to other financial institutions	3,711	726	2,923	-	-	62	-
Deposits and other borrowings	64,174	26,168	20,338	14,846	2,607	215	-
Due to subsidiaries	43,828	-	13,088	5,268	13,841	11,631	-
Derivative financial instruments (trading)	13,522	-	13,522	-	-	-	-
Bonds and notes	2,512	-	20	387	1,782	323	-
Loan capital	3,135	-	40	120	797	1,005	1,173
Other financial liabilities	1,815	-	1,574	6	198	37	-
Total financial liabilities	132,697	26,894	51,505	20,627	19,225	13,273	1,173
Net financial assets / (liabilities)	21,571	(23,479)	(19,458)	1,745	17,888	45,961	(1,086)
Derivative financial instruments used for balance sheet management							
- gross inflows	23,479	-	2,919	5,755	12,695	2,110	-
- gross outflows	(30,568)	-	(3,142)	(5,723)	(12,166)	(9,537)	-
Net financial assets / (liabilities) after balance sheet management	14,482	(23,479)	(19,681)	1,777	18,417	38,534	(1,086)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2011	Bank Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	229	85	144
Credit related commitments	25,687	25,687	-
Contingent liabilities	2,803	2,803	-
Total	28,719	28,575	144

Notes to the Financial Statements

31. Financial Assets Pledged as Collateral

		Banking Group		Bank	
$ millions	Note	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Cash collateral given on derivative financial instruments	9	**1,256**	944	**1,256**	944
Trading securities encumbered through repurchase agreements		**252**	1,219	**252**	1,219
Residential mortgages pledged as security for covered bonds	37	**4,977**	-	**4,977**	-
Total tangible assets of UDC Finance Limited pledged as collateral for secured stock		**2,103**	2,007	**-**	-
Total financial assets pledged as collateral		**8,588**	4,170	**6,485**	2,163

Registered secured debenture stock is constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. The trust deed creates floating charges over all the assets, primarily loans and advances, of UDC Finance Limited.

32. Concentrations of Credit Risk to Individual Counterparties

The Banking Group measures its concentration of credit risk in respect to bank counterparties on the basis of approved exposures and in respect to non bank counterparties on the basis of limits. No account is taken of collateral, security and/or netting agreements which the Banking Group may hold in respect of the various counterparty exposures.

For the three month period ended 30 September 2012 there were no individual counterparties (excluding connected parties, governments and banks with long term credit ratings of A- or above) where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of equity (as at the end of the period).

Concentrations of credit risk to connected persons

Credit exposures to connected persons reported in the table below have been calculated partially on a bilateral net basis and partially on a gross basis. Netting has occurred (up to a limit of 125% of the Banking Group's tier one capital) in respect of certain transactions which are the subject of a bilateral netting agreement.

Banking Group	**30/09/2012**		30/09/2011	
	Amount $m	**% of Tier One Capital**	Amount $m	% of Tier One Capital
Aggregate at end of year[1]				
Bank connected persons (on gross basis, before netting)	**4,708**	**65.0%**	4,687	66.1%
Less: amount netted off	**3,621**	**50.0%**	4,221	59.5%
Bank connected persons (on partial bilateral net basis)	**1,087**	**15.0%**	466	6.6%
Peak end-of-day for the year[2]				
Bank connected persons (on gross basis, before netting)	**5,939**	**82.0%**	5,534	78.0%
Less: amount netted off	**4,221**	**58.3%**	3,221	45.4%
Bank connected persons (on partial bilateral net basis)	**1,718**	**23.7%**	2,313	32.6%
Rating-contingent limit[3]				
Bank connected persons (on a gross basis, before netting)	**n/a**	**125.0%**	n/a	125.0%
Bank connected persons (on partial bilateral net basis)	**n/a**	**70.0%**	n/a	70.0%
Non-bank connected persons	**n/a**	**15.0%**	n/a	15.0%

1 The Banking Group has amounts due from the Immediate Parent Company and the Ultimate Parent Bank and other entities within the Overseas Banking Group arising in the ordinary course of business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 30 September 2012, the gross exposures to the Immediate Parent Company were $97 million (30/09/2011 $35 million). As at 30 September 2012, the gross exposures to the Ultimate Parent Bank were $4,611 million (30/09/2011 $4,652 million).

2 The Banking Group has complied with the limits on aggregate credit exposure (of a non-capital nature and net of individual provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the year. The peak end-of-day credit exposures for the year to connected persons are measured over Tier One Capital as at the end of the year.

3 Represents the maximum peak end-of-day aggregate credit exposures limit (of a non-capital nature and net of individual provisions) to all connected persons. This limit is based on the ratings applicable to the Bank's long term senior unsecured obligations payable in New Zealand in New Zealand dollars. Within the overall limit a sub-limit of 15% of Tier One Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of individual provisions) to non-bank connected persons. There have been no changes to these limits for the year ended 30 September 2012.

Notes to the Financial Statements

33. Fair Value of Financial Assets and Financial Liabilities

	Banking Group						
$ millions	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair value
Carrying amount		**Designated on initial recognition**	**Held for trading**				
30/09/2012							
Liquid assets	**2,831**	**-**	**-**	**-**	**-**	**2,831**	**2,831**
Due from other financial institutions	**1,622**	**-**	**-**	**-**	**100**	**1,722**	**1,722**
Trading securities	**-**	**-**	**12,338**	**-**	**-**	**12,338**	**12,338**
Derivative financial instruments[1]	**-**	**-**	**12,276**	**477**	**-**	**12,753**	**12,753**
Available-for-sale assets	**-**	**-**	**-**	**-**	**57**	**57**	**57**
Net loans and advances[2]	**86,678**	**-**	**-**	**-**	**-**	**86,678**	**86,869**
Other financial assets	**509**	**142**	**-**	**-**	**-**	**651**	**651**
Total financial assets	**91,640**	**142**	**24,614**	**477**	**157**	**117,030**	**117,221**
Due to other financial institutions	**1,759**	**-**	**-**	**-**	**-**	**1,759**	**1,759**
Deposits and other borrowings	**68,207**	**5,445**	**-**	**-**	**-**	**73,652**	**73,744**
Due to Immediate Parent Company	**740**	**-**	**-**	**-**	**-**	**740**	**740**
Derivative financial instruments[1]	**-**	**-**	**13,766**	**164**	**-**	**13,930**	**13,930**
Bonds and notes[2]	**17,244**	**-**	**-**	**-**	**-**	**17,244**	**17,482**
Loan capital	**1,168**	**-**	**-**	**-**	**-**	**1,168**	**1,030**
Other financial liabilities	**1,248**	**-**	**-**	**-**	**-**	**1,248**	**1,248**
Total financial liabilities	**90,366**	**5,445**	**13,766**	**164**	**-**	**109,741**	**109,933**
30/09/2011							
Liquid assets	2,455	-	-	-	-	2,455	2,455
Due from other financial institutions	3,067	-	-	-	1,562	4,629	4,629
Trading securities	-	-	9,466	-	-	9,466	9,466
Derivative financial instruments[1]	-	-	15,076	559	-	15,635	15,635
Available-for-sale assets	-	-	-	-	411	411	411
Net loans and advances[2]	83,610	-	-	-	-	83,610	83,828
Other financial assets	768	97	-	-	-	865	865
Total financial assets	89,900	97	24,542	559	1,973	117,071	117,289
Due to other financial institutions	3,711	-	-	-	-	3,711	3,711
Deposits and other borrowings	64,448	4,790	-	-	-	69,238	69,343
Due to Immediate Parent Company	174	-	-	-	-	174	174
Derivative financial instruments[1]	-	-	14,783	335	-	15,118	15,118
Bonds and notes[2]	17,406	-	-	-	-	17,406	17,390
Loan capital	1,988	-	-	-	-	1,988	1,922
Other financial liabilities	2,237	-	-	-	-	2,237	2,237
Total financial liabilities	89,964	4,790	14,783	335	-	109,872	109,895

Notes to the Financial Statements

$ millions	Bank						
	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair Value
Carrying amount		Designated on initial recognition	Held for trading				
30/09/2012							
Liquid assets	**2,815**	**-**	**-**	**-**	**-**	**2,815**	**2,815**
Due from other financial institutions	**1,622**	**-**	**-**	**-**	**100**	**1,722**	**1,722**
Trading securities	**-**	**-**	**12,338**	**-**	**-**	**12,338**	**12,338**
Derivative financial instruments[1]	**-**	**-**	**12,311**	**477**	**-**	**12,788**	**12,788**
Available-for-sale assets	**-**	**-**	**-**	**-**	**54**	**54**	**54**
Net loans and advances[2]	**84,319**	**-**	**-**	**-**	**-**	**84,319**	**84,501**
Due from subsidiaries	**6,552**	**5,067**	**-**	**-**	**-**	**11,619**	**11,632**
Other financial assets	**535**	**-**	**-**	**-**	**-**	**535**	**535**
Total financial assets	**95,843**	**5,067**	**24,649**	**477**	**154**	**126,190**	**126,385**
Due to other financial institutions	**1,555**	**-**	**-**	**-**	**-**	**1,555**	**1,555**
Deposits and other borrowings	**66,731**	**-**	**-**	**-**	**-**	**66,731**	**66,815**
Due to subsidiaries	**32,966**	**4,974**	**-**	**-**	**-**	**37,940**	**38,095**
Due to Immediate Parent Company	**740**	**-**	**-**	**-**	**-**	**740**	**740**
Derivative financial instruments[1]	**-**	**-**	**13,766**	**164**	**-**	**13,930**	**13,930**
Bonds and notes[2]	**2,500**	**-**	**-**	**-**	**-**	**2,500**	**2,596**
Loan capital	**1,168**	**-**	**-**	**-**	**-**	**1,168**	**1,030**
Other financial liabilities	**1,065**	**-**	**-**	**-**	**-**	**1,065**	**1,065**
Total financial liabilities	**106,725**	**4,974**	**13,766**	**164**	**-**	**125,629**	**125,826**
30/09/2011							
Liquid assets	2,443	-	-	-	-	2,443	2,443
Due from other financial institutions	3,067	-	-	-	1,562	4,629	4,629
Trading securities	-	-	9,466	-	-	9,466	9,466
Derivative financial instruments[1]	-	-	15,119	559	-	15,678	15,678
Available-for-sale assets	-	-	-	-	375	375	375
Net loans and advances[2]	81,306	-	-	-	-	81,306	81,510
Due from subsidiaries	5,169	6,584	-	-	-	11,753	11,761
Other financial assets	796	-	-	-	-	796	796
Total financial assets	92,781	6,584	24,585	559	1,937	126,446	126,658
Due to other financial institutions	3,711	-	-	-	-	3,711	3,711
Deposits and other borrowings	63,007	-	-	-	-	63,007	63,102
Due to subsidiaries	31,049	6,667	-	-	-	37,716	37,636
Due to Immediate Parent Company	174	-	-	-	-	174	174
Derivative financial instruments[1]	-	-	14,783	335	-	15,118	15,118
Bonds and notes[2]	2,073	-	-	-	-	2,073	1,900
Loan capital	1,988	-	-	-	-	1,988	1,922
Other financial liabilities	2,075	-	-	-	-	2,075	2,075
Total financial liabilities	104,077	6,667	14,783	335	-	125,862	125,638

1 Derivative financial instruments classified as held for trading include derivatives entered into as economic hedges which are not designated as accounting hedges.
2 Fair value hedging is applied to certain financial assets within loans and advances and certain financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

Notes to the Financial Statements

Estimation of fair value

Liquid assets, due from / to other financial institutions and balances with related parties

Where these financial instruments are short-term in nature, defined as those that reprice or mature in 90 days or less, or are receivable on demand, the carrying values are considered to approximate the fair values. When longer term in nature, fair value is based on quoted market prices, or for those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of that debt instrument.

Trading securities, derivative financial instruments and available for sale assets

Fair value is based on quoted market prices, or broker or dealer price quotations. If this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

Net loans and advances

Fair value has been estimated through discounting future cash flows. For fixed rate loans and advances, the discount rate applied incorporates changes in wholesale market rates, the Banking Group's cost of wholesale funding and movements in customer margin. For floating rate loans, only changes in wholesale market rates and the Banking Group's cost of wholesale funding are incorporated in the discount rate. For variable rate loans where the Banking Group sets the applicable rate at its discretion, the carrying value is considered to approximate the fair value.

Other financial assets / liabilities

Included in this category are accrued interest and fees receivable / payable. For these balances the carrying value is considered to approximate the fair values, as they are short term in nature or are receivable / payable on demand.

Deposits and other borrowings

For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows. The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

Certain items included in deposits and other borrowings have been designated as financial liabilities at fair value through profit or loss and are carried at fair value.

Bonds and notes and loan capital

The aggregate fair value of bonds and notes and loan capital is calculated based on quoted market prices. For those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument is used.

Valuation hierarchy

In determining the carrying amount of financial instruments held at fair value the Banking Group uses a valuation method within the following hierarchy:

"Level 1" - Quoted market price

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

"Level 2" - Valuation technique using observable inputs

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

"Level 3" - Valuation technique with significant non observable inputs

The majority of valuation techniques employ only observable market data. However, the Banking Group holds some investments in unlisted funds or other investments which do not trade in an active market. For these instruments the fair value cannot be determined in whole with reference to current market transactions or valuation techniques whose variables only include data from observable markets. Where observable market data is not available, the fair value is determined using broker quotes or valuation techniques, including discounted cash flow analysis, using data derived and extrapolated from market data and tested against historic transactions and observed market trends.

Notes to the Financial Statements

Valuation technique		**Banking Group**				**Bank**		
$millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30/09/2012								
Due from other financial institutions	**-**	**100**	**-**	**100**	**-**	**100**	**-**	**100**
Trading securities	**7,599**	**4,739**	**-**	**12,338**	**7,599**	**4,739**	**-**	**12,338**
Derivative financial instruments	**2**	**12,751**	**-**	**12,753**	**2**	**12,786**	**-**	**12,788**
Available-for-sale assets	**13**	**42**	**2**	**57**	**13**	**41**	**-**	**54**
Due from subsidiaries	**-**	**-**	**-**	**-**	**-**	**5,067**	**-**	**5,067**
Other financial assets	**3**	**138**	**1**	**142**	**-**	**-**	**-**	**-**
Total financial assets held at fair value	**7,617**	**17,770**	**3**	**25,390**	**7,614**	**22,733**	**-**	**30,347**
Deposits and other borrowings	**-**	**5,445**	**-**	**5,445**	**-**	**-**	**-**	**-**
Due to subsidiaries	**-**	**-**	**-**	**-**	**-**	**4,974**	**-**	**4,974**
Derivative financial instruments	**4**	**13,926**	**-**	**13,930**	**4**	**13,926**	**-**	**13,930**
Total financial liabilities held at fair value	**4**	**19,371**	**-**	**19,375**	**4**	**18,900**	**-**	**18,904**
30/09/2011								
Due from other financial institutions	-	1,562	-	1,562	-	1,562	-	1,562
Trading securities	5,565	3,901	-	9,466	5,565	3,901	-	9,466
Derivative financial instruments	18	15,616	1	15,635	18	15,659	1	15,678
Available-for-sale assets	334	72	5	411	334	41	-	375
Due from subsidiaries	-	-	-	-	-	6,584	-	6,584
Other financial assets	27	70	-	97	-	-	-	-
Total financial assets held at fair value	5,944	21,221	6	27,171	5,917	27,747	1	33,665
Deposits and other borrowings	-	4,790	-	4,790	-	-	-	-
Due to subsidiaries	-	-	-	-	-	6,667	-	6,667
Derivative financial instruments	18	15,100	-	15,118	18	15,100	-	15,118
Total financial liabilities held at fair value	18	19,890	-	19,908	18	21,767	-	21,785

Movements in level 3 valuations

	Banking Group		**Bank**	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Opening balance	**6**	119	**1**	-
Purchases	**-**	11	**-**	-
Revaluations	**(3)**	38	**(1)**	1
Foreign exchange movements	**-**	4	**-**	-
Sales	**-**	(166)	**-**	-
Closing balance	**3**	6	**-**	1

Notes to the Financial Statements

34. Notes to the Cash Flow Statements

$ millions	Banking Group Year to 30/09/2012	Banking Group Year to 30/09/2011	Bank Year to 30/09/2012	Bank Year to 30/09/2011
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities				
Profit after income tax	**1,325**	1,099	**1,220**	1,032
Non-cash items:				
Depreciation and amortisation	**89**	74	**45**	31
Provision for credit impairment	**193**	178	**187**	174
Deferred fee revenue and expenses	**14**	4	**12**	4
Amortisation of capitalised brokerage / mortgage origination fees	**25**	33	**25**	33
Amortisation of premiums and discounts	**235**	109	**235**	69
Fair value gains and losses	**(254)**	(190)	**(259)**	(187)
Loss on disposal and impairment of premises and equipment and intangibles	**13**	49	**2**	33
Deferrals or accruals of past or future operating cash receipts or payments:				
Change in net operating assets less liabilities	**(2,545)**	1,106	**(2,723)**	396
Change in interest receivable	**(13)**	48	**(21)**	11
Change in interest payable	**(43)**	(38)	**(34)**	(31)
Change in accrued income	**(3)**	3	**(2)**	5
Change in accrued expenses	**4**	(55)	**4**	(64)
Change in provisions	**20**	(6)	**21**	54
Change in insurance policy assets	**(101)**	(62)	**-**	-
Change in other receivables and payables	**(8)**	55	**10**	147
Change in net income tax assets / liabilities	**20**	226	**(64)**	174
Items classified as investing / financing:				
Gain on disposal of interests in associates	**(4)**	(5)	**(4)**	(3)
Net cash flows provided by / (used in) operating activities	**(1,033)**	2,628	**(1,346)**	1,878

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Reconciliation of cash and cash equivalents to the balance sheets				
Liquid assets	**2,831**	2,455	**2,815**	2,443
Due from other financial institutions - less than 90 days	**424**	3,079	**424**	3,079
Total cash and cash equivalents	**3,255**	5,534	**3,239**	5,522

35. Commitments

$ millions	Banking Group 30/09/2012	Banking Group 30/09/2011	Bank 30/09/2012	Bank 30/09/2011
Contracts for outstanding capital expenditure				
Not later than 1 year	**43**	13	**42**	13
Total capital expenditure commitments	**43**	13	**42**	13
Future minimum lease payments under non-cancellable operating leases				
Not later than 1 year	**81**	80	**73**	72
Later than 1 year but not later than 5 years	**139**	135	**124**	120
Later than 5 years	**92**	29	**89**	24
Total lease rental commitments	**312**	244	**286**	216
Total commitments	**355**	257	**328**	229

Notes to the Financial Statements

36. Credit Related Commitments, Guarantees and Contingent Liabilities

	Banking Group		Bank	
	Face or contract value		Face or contract value	
$ millions	**30/09/2012**	30/09/2011	**30/09/2012**	30/09/2011
Credit related commitments				
Commitments with certain drawdown due within one year	**742**	527	**742**	527
Commitments to provide financial services	**24,698**	22,526	**25,039**	25,160
Total credit related commitments	**25,440**	23,053	**25,781**	25,687
Guarantees and contingent liabilities				
Financial guarantees	**731**	1,753	**731**	1,753
Standby letters of credit	**44**	60	**44**	60
Transaction related contingent items	**913**	882	**913**	882
Trade related contingent liabilities	**117**	110	**116**	108
Total guarantees and contingent liabilities	**1,805**	2,805	**1,804**	2,803

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other contingent liabilities

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

37. Securitisation, Funds Management, Other Fiduciary Activities and Insurance

Kingfisher NZ Trust 2008-1 ("the Kingfisher Trust")

The Banking Group has established the Kingfisher Trust as an in-house residential mortgage backed securities facility that can issue securities meeting the RBNZ criteria to use as collateral in repurchase transactions with the RBNZ.

These assets do not qualify for derecognition as the Bank retains substantially all of the risks and rewards of the transferred assets.

As at 30 September 2012 and 30 September 2011 the Banking Group had not entered into any repurchase agreements with the RBNZ for residential mortgage backed securities and therefore no collateral had been accepted by the RBNZ under this facility.

ANZNZ Covered Bond Trust ("the Covered Bond Trust")

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

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

The Bank has purchased securities issued by both the Kingfisher Trust and the Covered Bond Trust in exchange for the transfer of the rights to the cash flows associated with the identified residential mortgages. The residential mortgages continue to be recognised by the Bank because they do not qualify for derecognition. The following table sets out the carrying values of the residential mortgages transferred by the Bank to these special purpose entities and the associated liabilities to deliver the cashflows on those instruments.

	Bank[1]	
$ millions	**30/09/2012**	30/09/2011
Securitisations[2]		
Carrying amount of assets transferred	**5,102**	6,633
Carrying amount of associated liabilities	**5,127**	6,667
Covered Bonds		
Carrying amount of assets transferred	**4,977**	2,825
Carrying amount of associated liabilities	**4,977**	2,825

1 There are no balances for the Banking Group as the balances for the Bank relate to transfers to internal special purpose entities.
2 The securitisation liabilities have recourse only to the pool of residential mortgages which have been securitised. The fair value of securitised assets is $5,127 million (30/09/2011 $6,667 million). The fair value of the associated liabilities is $5,127 million (30/09/2011 $6,667 million). The net position is nil (30/09/2011 nil).

Notes to the Financial Statements

Funds management

Certain subsidiaries of the Bank act as trustee and/or manager for a number of unit trusts and investment and superannuation funds. The Banking Group provides private banking services to a number of clients, including investment advice and portfolio management. The Banking Group is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

As funds under management are not controlled by the Banking Group, they are not included in these financial statements. The Banking Group derives fee and commission income from the sale and management of investment funds and superannuation bonds, unit trusts and the provision of private banking services to a number of clients. The Banking Group derives commission income from the sale of third party funds management products.

Some funds under management are invested in products owned or securities issued by the Banking Group and are recorded as liabilities in the balance sheet. At 30 September 2012, $3,114 million of funds under management were invested in the Banking Group's own products or securities (30/09/2011 $2,832 million).

Aggregate value of funds managed by the Banking Group

	Banking Group	
$ millions	**30/09/2012**	30/09/2011
Funds managed by OnePath	**7,324**	6,709
The Bonus Bonds Trust	**3,188**	2,996
Other discretionary funds	**5,173**	5,016
Total funds under management	**15,685**	14,721

Custodial services

The Banking Group provides custodial services to customers in respect of assets that are beneficially owned by those customers.

Provision of financial services

Financial services provided by the Banking Group to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm’s length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm’s length basis and at fair value.

Except for standard lending facilities provided in the normal course of business on arm’s length terms, the Banking Group has not provided any funding to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group (30/09/2011 $nil).

Insurance business

The Banking Group conducts an insurance business through OnePath Insurance Holdings (NZ) Limited and its subsidiaries (“OnePath Insurance”), the assets, liabilities and operations of which are fully consolidated into the Banking Group. OnePath Insurance provides risk transfer and investment contract life insurance products. In addition, other entities within the Banking Group market and distribute a range of insurance products which are underwritten by OnePath Insurance, or by third party insurance companies.

The aggregate insurance business conducted by OnePath Insurance comprises assets totalling $564 million (30/09/2011: $438 million), which is 0.5% (30/09/2011: 0.4%) of the total consolidated assets of the Banking Group.

Risk management

The Bank and subsidiaries of the Bank participating in the activities identified above have in place policies and procedures to ensure that those activities are conducted in an appropriate manner. Should adverse conditions arise, it is considered that these policies and procedures will minimise the possibility that these conditions will adversely impact the Bank or the Banking Group. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management.

Directorate and Auditors

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Directors' interests

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the following procedures are adopted:

a. At least once in each year, Directors are requested to complete, in terms of section 140(1) of the Companies Act 1993, a disclosure of any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.

b. Directors are also requested to make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993. In addition, they are requested to initiate a review of that disclosure if there are any significant alterations which occur subsequently during the period.

In addition to the written disclosures referred to above, Directors disclose relevant interests which they have before discussion of particular business items.

The Companies Act 1993 allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. However, the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

Transactions with Directors

No Director has disclosed that he/she or any immediate relative or professional associate has any dealing with the Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties as a Director of the Bank.

Board Members as at 21 November 2012

Independent Non-Executive Director and Chairman

John Frederick Judge

B Com, FCA
Company Director
Auckland, New Zealand

Mr Judge is the Chair of the Remuneration Committee and a Member of the Audit Committee and the Risk Committee.

Other directorships: Fletcher Building Limited, Fletcher Building Finance Limited, Aquatx Holdings Limited, Aquatx Limited, Janohn Limited, Sebca Limited, John Judge Limited, Health TV Limited, Sails Friday Limited, Crop Solutions 09 Limited, Formerly Fuel Equipment Limited, Greentide Limited, Greentide K4B3 Limited

Executive Director

David Duncan Hisco

B Bus, MBA
Chief Executive, ANZ Bank New Zealand Limited
Auckland, New Zealand

Other directorships: ANZ Holdings (New Zealand) Limited

Non-Executive Directors

Michael Roger Pearson Smith, OBE

BSc (Hons)
Chief Executive Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Mr Smith is a Member of the Remuneration Committee.

Other directorships: Australia and New Zealand Banking Group Limited, The Financial Markets Foundation for Children, The Institute of International Finance Inc, Financial Literacy Australia Limited, Financial Literacy Board

Shayne Cary Elliott

B Com
Chief Financial Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Other directorships: ANZ Holdings (New Zealand) Limited

Independent Non-Executive Directors

Norman Michael Thomas Geary, CBE

B Com, FACA, FNZIM, FCIT
Company Director
Auckland, New Zealand

Mr Geary is the Chair of the Audit Committee and a Member of the Risk Committee and the Remuneration Committee.

Other directorships: Otago Innovation Limited

Antony (Tony) John Carter

BE (Hons), ME, FNZIM
Company Director
Auckland, New Zealand

Mr Carter is the Chair of the Risk Committee and a Member of the Audit Committee and the Remuneration Committee.

Other directorships: Air New Zealand Limited, Fletcher Building Limited, Fisher and Paykel Healthcare Corporation, Fletcher Building Industries Limited, Loughborough Investments Limited

Auditors

KPMG

Chartered Accountants
10 Customhouse Quay
P O Box 996
Wellington, New Zealand

Conditions of Registration

Conditions of Registration, applicable as at 30 September 2012. These Conditions of Registration have applied from 31 August 2012.

Since issuance of the last Disclosure Statement dated 16 August 2012 the Bank's conditions of registration have been amended to update cross-references to refer to a new version of the RBNZ document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012.

The registration of the Bank as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:

   (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012 is not less than 8%;

   (b) the tier one capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012 is not less than 4%; and

   (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012 is not less than $30 million.

   For the purposes of this condition of registration the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012 is 1.06.

1A. That-

   (a) the Bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ("ICAAP")" (BS12) dated December 2007;

   (b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012; and

   (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated August 2012.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

   In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition of registration, the Banking Group's insurance business is the sum of the following amounts for entities in the banking group:

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

   (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the Banking Group's insurance business

   (a) all amounts must relate to on balance sheet items only and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

   For the purposes of this condition of registration:

   "insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance;

   "insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit Rating of the registered bank[1]	**Connected exposure limit (% of the Banking Group's Tier 1 capital)**
AA / Aa2 and above	75
AA- / Aa3	70
A+ / A1	60
A / A2	40
A- / A3	30
BBB+ / Baa1 and below	15

[1] This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's)

   Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the Banking Group's tier one capital.

   For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated June 2011.

Conditions of Registration

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the Bank complies with the following corporate governance requirements:

   (a) the board of the Bank must have at least five directors;

   (b) the majority of the board members must be non-executive directors;

   (c) at least half of the board members must be independent directors;

   (d) an alternate director,—

      (i) for a non-executive director must be non-executive; and

      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the Bank must be ordinarily resident in New Zealand;

   (f) the chairperson of the board of the Bank must be independent; and

   (g) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (ie the Bank).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the Bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the Bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the Bank;

   (d) the majority of the members of the committee must be independent; and

   (e) the chairperson of the committee must be independent and must not be the chairperson of the Bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:

    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;

    (b) that the Bank's financial risk positions on a day can be identified on that day;

    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

    For the purposes of this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006.

12. That:

    (a) the business and affairs of the Bank are managed by, or under the direction and supervision of, the board of the Bank.

    (b) the employment contract of the chief executive officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the Bank.

    (c) all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

13. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

    (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 70 per cent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated March 2011 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

14. That the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:
    - (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    - (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
    - (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV. For the purposes of this condition,—

    "total assets" means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

    "SPV" means a person—
    - (a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;
    - (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
    - (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

    "covered bond" means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That:
    - (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
        - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
        - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
    - (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
        - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
        - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
        - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

In these conditions of registration:

"Banking Group" means ANZ Bank New Zealand Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993);

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993.

Directors' Statement

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

(i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2012;

(ii) The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2012, after due enquiry, each Director believes that:

(i) ANZ Bank New Zealand Limited has complied with all the Conditions of Registration;

(ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;

(iii) ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on 21 November 2012. On that date, the Directors of the Bank were:

A J Carter

S C Elliott

N M T Geary, CBE

D D Hisco

J F Judge

M R P Smith, OBE

Independent Auditor's Report

To the Shareholder of ANZ Bank New Zealand Limited

Report on the Bank and Banking Group Disclosure Statement

We have audited the accompanying financial statements and supplementary information of ANZ Bank New Zealand Limited ("the Bank") (formerly ANZ National Bank Limited) and its subsidiaries ("the Banking Group") on pages 5 to 74 of the Disclosure Statement. The financial statements comprise the balance sheets as at 30 September 2012, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the Bank and the Banking Group. The supplementary information comprises the information that is required to be disclosed under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2012 (the "Order").

Directors' Responsibility for the Disclosure Statement

The Directors are responsible for the preparation of the Bank and Banking Group Disclosure Statement, including financial statements prepared in accordance with Clause 24 of the Order and generally accepted accounting practice in New Zealand, and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the Bank and Banking Group financial statements that are free from material misstatement whether due to fraud or error.

The Directors are responsible for the preparation and fair presentation of supplementary information, in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.

Auditor's Responsibility

Our responsibility is to express an opinion on the Disclosure Statement, including the financial statements prepared in accordance with Clause 24 of the Order and the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Bank and Banking Group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Bank and Banking Group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank and Banking Group's preparation of the financial statements that gives a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and Banking Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has provided other services to the Bank and Banking Group in relation to audit related services. Partners and employees of our firm may also deal with the Bank and Banking Group on normal terms within the ordinary course of trading activities of the business of the Bank and Banking group. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the Bank and Banking Group. These matters have not impaired our independence as auditors of the Bank and Banking Group. The firm has no other relationship with, or interest in, the Bank or Banking Group.

Opinion on the Disclosure Statement

In our opinion the Disclosure Statement of the Bank and Banking Group on pages 5 to 74:

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and
- gives a true and fair view of the financial position as at 30 September 2012 and of their financial performance and cash flows for the year ended on that date.

Opinion on Supplementary Information

In our opinion, the supplementary information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, and is included within notes 14, 30, 32, and 37 of the Disclosure Statement:

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the Bank and Banking Group; and
- fairly states the matters to which it relates in accordance with those Schedules.

Report on Supplementary Information Relating to Capital Adequacy

We have reviewed the Supplementary Information relating to Capital Adequacy, as disclosed in note 29 of the Disclosure Statement for the year ended 30 September 2012.

Directors' Responsibility for the Supplementary Information Relating to Capital Adequacy

The Directors are responsible for the preparation of Supplementary Information relating to Capital Adequacy that is required to be disclosed under Schedule 11.

Auditor's Responsibility

Our responsibility is to express an opinion on the supplementary information relating to Capital Adequacy based on our review. We conducted our review in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. Those standards require that we comply with ethical requirements and plan and perform the review to obtain limited assurance about whether the supplementary information relating to Capital Adequacy is, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration;
- prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- disclosed in accordance with Schedule 11 of the Order.

A review is limited primarily to enquiries of Bank and Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit in respect of the Capital Adequacy disclosures, and accordingly, we do not express an audit opinion on these disclosures.

Opinion on the Supplementary Information Relating to Capital Adequacy

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to capital adequacy, disclosed in note 29 of the Disclosure Statement, is not, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration;
- prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- disclosed in accordance with Schedule 11 of the Order.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, and clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Bank and Banking Group, as far as appears from our examination of those records.

KPMG

Wellington
21 November 2012

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Annex A-1-ANZNIL Financial Statements

9.11.1
9.11.2
9.11.4.1

1. ANZ New Zealand (Int'l) Limited Financial Statements for the year ended September 30, 2013.

2. ANZ New Zealand (Int'l) Limited Financial Statements for the year ended September 30, 2012.

ANZ New Zealand (Int'l) Limited
Annual Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

ANZ New Zealand (Int'l) Limited

Annual Report

For the year ended 30 September 2013

Contents

Annual Report

For the year ended 30 September 2013

ANZ New Zealand (Int'l) Limited ("the Company") is incorporated in New Zealand under the Companies Act 1993. Its registered office is, from 22 November 2013, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand. The ultimate parent company is Australia and New Zealand Banking Group Limited ("the Ultimate Parent"). The Company changed its name from ANZ National (Int'l) Limited on 29 October 2012.

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Company has agreed that the Annual Report of the Company need not comply with any of the paragraphs (e) to (h) and (j) of subsection (1) and subsection (2) of section 211.

Management Report

Nature of Business

The Company provides funding facilities and wholesale funding to its parent company, ANZ Bank New Zealand Limited ("the Parent Company") (formerly ANZ National Bank Limited) including the issuance of U.S. Commercial Paper, Euro-Commercial Paper, U.S. Medium-Term Notes, Euro Medium-Term Notes and Covered Bonds. The Company's overseas activities are currently conducted through its London Branch. The Company has no subsidiaries.

There have not been any material changes in the nature of the Company's business during the year.

Business Review

The decrease in the Company's total assets from $20,318 million as at 30 September 2012 to $17,590 million as at 30 September 2013 has been driven primarily by the maturity of U.S. medium term notes with a carrying value at 30 September 2012 of $3,891 million, which have only been partially replaced by new transactions.

Net interest income was $7 million for the year to 30 September 2013 (2012: $8 million). Net interest income reduced in line with the reduction in total assets.

Principal Risks and Uncertainties

The Company expects minimal change to principal risks and uncertainties over the next year.

The Company's exposure to risk arises from the Company's operations as a financial intermediary and participant in the financial markets. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting, and risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

The Company carries minimal interest rate, liquidity and currency risk reflecting the Company's role as a financial intermediary. The Company's principal credit risk exposure continues to be to the Parent Company. Operational risk is managed through a comprehensive infrastructure of effective policies, procedures, businesses systems and compliance.

Other Information

- No important events have occurred since the end of the financial year
- No significant changes are planned to the future operations of the Company.
- The Company is not involved in research and development.
- The Company has not acquired any of its own shares.
- The Company only operates through its London branch.

Directors

Nick Freeman and Jennifer Evans have taken up positions with the Ultimate Parent in Australia and resigned as directors of the Company on 7 December 2012 and 10 December 2012 respectively. Anthony Bradshaw and Antonia Watson were appointed directors of the Company on 10 December 2012.

There have been no other changes to the Directors of the Company since 30 September 2012.

Responsibility Statement

As at the date on which this Responsibility Statement is signed, after due enquiry and to the best of their knowledge, the Directors confirm that:

(a) the financial statements, prepared in accordance with New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) the management report of the Company includes a fair review of the development and performance of the business and the position of the Company and the principal risks and uncertainties that it faces.

For and on behalf of the Board of Directors:

Anthony Bradshaw Director 18 November 2013	Antonia Watson Director 18 November 2013

Statement of Comprehensive Income

$ millions	Note	**Year to 30/09/2013**	Year to 30/09/2012
Interest income	**6**	**362**	425
Interest expense	**2**	**355**	417
Net interest income		**7**	8
Operating expenses		**1**	1
Profit before income tax		**6**	7
Income tax expense	**3**	**2**	2
Profit after income tax		**4**	5

There are no items of other comprehensive income.

Statement of Changes in Equity

$ millions	Note	Foreign Currency Translation Reserve	Retained Profits	Total Equity
As at 1 October 2011		3	5	8
Profit after tax		-	5	5
Transfer on change in functional currency		(3)	3	-
Total comprehensive income		(3)	8	5
Ordinary dividend paid	**8**	-	(8)	(8)
As at 30 September 2012		-	5	5
Profit after income tax		**-**	**4**	**4**
Ordinary dividend paid	**8**	**-**	**(5)**	**(5)**
As at 30 September 2013		**-**	**4**	**4**

Balance Sheet

$ millions	Note	30/09/2013	30/09/2012
Assets			
Cash at bank	**6**	**2**	3
Due from the Parent Company	**6**	**17,588**	20,315
Total assets		**17,590**	20,318
Liabilities			
Accrued interest payable		**83**	98
Commercial paper	**4**	**4,764**	5,444
Current tax liabilities		**1**	1
Due to other related parties		**-**	206
Bonds and notes	**5**	**12,738**	14,564
Total liabilities		**17,586**	20,313
Net assets		**4**	5
Equity			
Retained profits		**4**	5
Total Equity	**8**	**4**	5

For and on behalf of the Board of Directors:

Anthony Bradshaw
Director
18 November 2013

Antonia Watson
Director
18 November 2013

Cash Flow Statement

$ millions	**Year to 30/09/2013**	Year to 30/09/2012
Cash flows from operating activities		
Interest received	**375**	431
Interest paid	**(368)**	(423)
Operating expenses	**(1)**	(1)
Tax paid	**(2)**	(2)
Net cash flows provided by operating activities	**4**	5
Cash flows from investing activities		
Decrease / (increase) in due from the Parent Company	**3,078**	(2,584)
Net cash flows provided by / (used in) investing activities	**3,078**	(2,584)
Cash flows from financing activities		
Proceeds from bonds and notes	**1,967**	4,877
Increase / (decrease) in due to other related parties	**(206)**	204
Increase / (decrease) in commercial paper	**(708)**	1,595
Redemption of bonds and notes	**(4,131)**	(4,093)
Dividends paid	**(5)**	(8)
Net cash flows provided by / (used in) financing activities	**(3,083)**	2,575
Net decrease in cash and cash equivalents	**(1)**	(4)
Cash and cash equivalents at beginning of the year	**3**	7
Cash and cash equivalents at end of the year	**2**	3

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	**4**	5
Adjustments		
Change in accrued interest receivable	**13**	6
Change in accrued interest payable	**(13)**	(6)
Net cash flows provided by operating activities	**4**	5

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

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

(iii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Rounding

The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(v) Changes in accounting policies

There have been no changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(vi) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the income statement in the period in which they arise.

(b) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(c) Income tax

(i) Income tax expense

Income tax on profits for the period comprises current and deferred tax. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(d) Recognition and derecognition of financial assets and financial liabilities

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper, amounts due to related parties and bonds and notes.

The Company recognises a financial asset or liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets and financial liabilities are initially recognised at fair value including directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Derecognition

The Company derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Company derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(e) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where:

- there is a current enforceable legal right to offset the asset and liability; and

- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Cash flow statement

Cash and cash equivalents comprise cash at bank.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and immediately lent to the Parent Company. These cash flows are high volume and short term in nature and include commercial paper and related party balances.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

As the principal activity of the Company is the raising of external funding, which is on-lent to the Parent Company at a margin, and the majority of its revenue is not earned from external customers, the Company does not have any reportable segments.

(f) Other

(i) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

NZ IFRS 9 Financial Instruments (effective for periods commencing after 1 January 2015)

Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

Notes to the Financial Statements

2. Interest Expense

$ millions	**Year to 30/09/2013**	Year to 30/09/2012
Commercial paper	**16**	20
Bonds and notes	**339**	397
Total interest expense	**355**	417

3. Income Tax

$ millions	**Year to 30/09/2013**	Year to 30/09/2012
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	**6**	7
Prima facie income tax at 28%	**2**	2
Total income tax expense	**2**	2
Amounts recognised in the statement of comprehensive income		
Current tax	**2**	2

4. Commercial Paper

$ millions	**30/09/2013**	30/09/2012
U.S. commercial paper	**4,764**	4,954
Euro commercial paper	**-**	490
Total commercial paper	**4,764**	5,444

Commercial paper issued is guaranteed by the Parent Company.

5. Bonds and notes

$ millions	**30/09/2013**	30/09/2012
U.S. medium term notes	**4,464**	7,423
Euro medium term notes	**4,349**	4,179
Covered bonds	**3,925**	2,962
Total bonds and notes	**12,738**	14,564

Bonds and notes issued are guaranteed by the Parent Company. $206 million (2012: $205 million) of the notes also benefit from a supporting guarantee from the New Zealand Crown. Bonds and notes are unsecured and rank equally with other unsecured liabilities.

Covered Bonds

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

Notes to the Financial Statements

6. Related Party Transactions

Transactions with other related parties

The Company undertakes transactions with the Parent Company and other members of the Australia and New Zealand Banking Group Limited group of companies ("ANZ Group"). These transactions principally consist of funding transactions. Other members of the ANZ Group provide administrative functions, including remuneration of key management personnel, to the Company for which no payments have been made.

Audit fees of $32,633 (2012: $32,633) have been paid by the Parent Company for nil consideration (2012: nil).

All interest income is from the Parent Company. Interest expense on bonds and notes includes $25 million (2012: $30 million) paid to subsidiaries of the Ultimate Parent.

Balances with related parties

Cash at bank comprises short term deposits with the Parent Company.

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised.

Bonds and notes includes $1,267 million (2012: $1,257 million) of notes that have been issued to subsidiaries of the Ultimate Parent.

Amounts due to other related parties are guaranteed by the Parent Company.

7. Current and Non-current Assets and Liabilities

$ millions	**30/09/2013**		30/09/2012	
	Current	**Non-current**	Current	Non-current
Assets				
Cash at bank	**2**	**-**	3	-
Due from Parent Company	**7,717**	**9,871**	9,704	10,611
Total assets	**7,719**	**9,871**	9,707	10,611
Liabilities				
Accrued interest payable	**83**	**-**	98	-
Commercial paper	**4,764**	**-**	5,444	-
Current tax liabilities	**1**	**-**	1	-
Due to other related parties	**-**	**-**	206	-
Bonds and notes	**2,867**	**9,871**	3,953	10,611
Total liabilities	**7,715**	**9,871**	9,702	10,611

Assets and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

8. Equity

Capital management policies

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide funding for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital comprises issued share capital and retained earnings. The Company's dividend policy is to distribute all retained profits to the Parent Company.

Ordinary share capital

The Company's share capital consists of 500,000 (2012: 500,000) fully paid ordinary shares that have the rights and powers prescribed by Section 36 of the Companies Act 1993. The shares have a carrying value of $499,900.

The dividend on ordinary shares was $9.69 per share (2012: $16.58).

Notes to the Financial Statements

9. Financial Risk Management

Financial instruments are entered into by the Company in its operations as a financial intermediary. The Company's operations are matched funded to minimise interest rate, currency and liquidity risks.

There are no material off balance sheet instruments. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting. Risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

The Company's principal exposure is to the Parent Company and the carrying amount represents the Company's maximum and net exposure to credit risk.

Market risk

Interest rate risk

The impact of a 1% rate movement on the Company's net interest income would not have a material impact.

The following tables represent the interest rate sensitivity of the Company's assets and liabilities by showing the periods in which these instruments may reprice (that is, when interest rates applicable to each asset or liability can be changed). The repricing gaps are based on contractual repricing information.

$ millions	Carrying value	At call or less than 3 months	3-6 months	6-12 months	1-5 years	Non interest bearing
30/09/2013						
Assets						
Cash at bank	**2**	**2**	**-**	**-**	**-**	**-**
Due from the Parent Company	**17,588**	**7,749**	**649**	**392**	**8,710**	**88**
Total financial assets	**17,590**	**7,751**	**649**	**392**	**8,710**	**88**
Liabilities and equity						
Accrued interest payable	**83**	**-**	**-**	**-**	**-**	**83**
Commercial paper	**4,764**	**3,799**	**603**	**362**	**-**	**-**
Bonds and notes	**12,738**	**3,950**	**47**	**31**	**8,710**	**-**
Total financial liabilities	**17,585**	**7,749**	**650**	**393**	**8,710**	**83**
Net repricing profile	**5**	**2**	**(1)**	**(1)**	**-**	**5**

$ millions	Carrying value	Less than 3 months	3-6 months	6-12 months	1-5 years	Non interest bearing
30/09/2012						
Assets						
Cash at bank	3	3	-	-	-	-
Due from the Parent Company	20,315	8,859	2,048	2,570	6,730	108
Total financial assets	20,318	8,862	2,048	2,570	6,730	108
Liabilities and equity						
Accrued interest payable	98	-	-	-	-	98
Commercial paper	5,444	3,216	2,053	175	-	-
Due to other related parties	206	204	-	-	-	2
Bonds and notes	14,564	5,439	-	2,395	6,730	-
Total financial liabilities	20,312	8,859	2,053	2,570	6,730	100
Net repricing profile	6	3	(5)	-	-	8

Notes to the Financial Statements

Currency risk

Currency risk arises from changes in foreign exchange rates impacting on residual currency positions that may result from the Company's business as a financial intermediary.

Currency risk is monitored in terms of open positions to each currency, based on nominal value and the duration of each exposure. The total amount of foreign currency exposures, whether recognised or unrecognised, within each currency is not material.

Liquidity risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. Liquidity risk arises from mismatch in the final maturity of on-balance sheet assets and liabilities plus settlement of off-balance sheet activities.

The following maturity analysis of assets and liabilities has been prepared on the basis of the remaining period to contractual maturity as at balance date. The amounts represent principal and interest cash flows and may differ compared to the amounts reported on the balance sheet.

$ millions	Total	Less than 3 months	3-12 months	1-5 years	Beyond 5 years	No specified maturity
30/09/2013						
Assets						
Cash at bank	**2**	**2**	**-**	**-**	**-**	**-**
Due from the Parent Company	**18,119**	**3,792**	**4,041**	**9,257**	**1,029**	**-**
Total financial assets	**18,121**	**3,794**	**4,041**	**9,257**	**1,029**	**-**
Liabilities						
Commercial paper	**4,769**	**2,354**	**2,415**	**-**	**-**	**-**
Bonds and notes	**13,329**	**1,429**	**1,623**	**9,248**	**1,029**	**-**
Total financial liabilities	**18,098**	**3,783**	**4,038**	**9,248**	**1,029**	**-**
Net liquidity gap	**23**	**11**	**3**	**9**	**-**	**-**

$ millions	Total	Less than 3 months	3-12 months	1-5 years	Beyond 5 years	No specified maturity
30/09/2012						
Assets						
Cash at bank	3	3	-	-	-	-
Due from the Parent Company	21,057	4,475	5,469	9,545	1,568	-
Total financial assets	21,060	4,478	5,469	9,545	1,568	-
Liabilities						
Commercial paper	5,449	2,632	2,817	-	-	-
Due to other related parties	206	206	-	-	-	-
Bonds and notes	15,379	1,626	2,652	9,534	1,567	-
Total financial liabilities	21,034	4,464	5,469	9,534	1,567	-
Net liquidity gap	26	14	-	11	1	-

Notes to the Financial Statements

10. Fair value of financial instruments

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

- for accrued interest payable, the carrying amount is equivalent to the fair value.
- for all other financial assets and financial liabilities, estimated fair values are based on market rates.

$ millions	**30/09/2013** Carrying Amount	**30/09/2013** Fair Value	30/09/2012 Carrying Amount	30/09/2012 Fair Value
Financial assets				
Cash at bank	**2**	**2**	3	3
Due from the Parent Company	**17,588**	**17,743**	20,315	20,457
Total financial assets	**17,590**	**17,745**	20,318	20,460
Financial liabilities				
Accrued interest payable	**83**	**83**	98	98
Commercial paper	**4,764**	**4,765**	5,444	5,445
Due to other related parties	**-**	**-**	206	206
Bonds and notes	**12,738**	**12,893**	14,564	14,706
Total financial liabilities	**17,585**	**17,741**	20,312	20,455

Independent Auditor's Report

To the Shareholder of ANZ New Zealand (Int'l) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of ANZ New Zealand (Int'l) Limited ("the Company") on pages 2 to 11. The financial statements comprise the balance sheet as at 30 September 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Opinion

In our opinion the financial statements on pages 2 to 11:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company as at 30 September 2013 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by ANZ New Zealand (Int'l) Limited as far as appears from our examination of those records.

KPMG

Wellington
18 November 2013

ANZ New Zealand (Int'l) Limited

(formerly ANZ National (Int’l) Limited)

Annual Report

FOR THE YEAR ENDED 30 SEPTEMBER 2012

ANZ New Zealand (Int'l) Limited

Annual Report

For the year ended 30 September 2012

Contents

Annual Report

For the year ended 30 September 2012

ANZ New Zealand (Int'l) Limited ("the Company") is incorporated in New Zealand under the Companies Act 1993. Its registered office is at Level 10, 170-186 Featherston Street, Wellington, New Zealand. The ultimate parent company is Australia and New Zealand Banking Group Limited ("the Ultimate Parent"). The Company changed its name from ANZ National (Int'l) Limited on 29 October 2012.

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Company has agreed that the Annual Report of the Company need not comply with any of the paragraphs (e) to (h) and (j) of subsection (1) and subsection (2) of section 211.

Management Report

Nature of Business

The Company provides funding facilities and wholesale funding to its parent company, ANZ Bank New Zealand Limited ("the Parent Company") (formerly ANZ National Bank Limited) including the issuance of U.S. Commercial Paper, Euro-Commercial Paper, U.S. Medium-Term Notes, Euro Medium-Term Notes and Covered Bonds. The Company's overseas activities are currently conducted through its London Branch. The Company has no subsidiaries.

The Company issued its first Covered Bonds in October 2011, and has issued Covered Bonds with a carrying value of $2,962 million as at 30 September 2012. There have not been any other material changes in the nature of the Company's business during the year.

Business Review

The increase in the Company's total assets from $19,992 million as at 30 September 2011 to $20,318 million as at 30 September 2012 has been driven primarily by new issuances of Covered Bonds, and U.S. Commercial Paper which have replaced maturities of U.S. Commercial Paper, Euro Medium-Term Notes and U.S. Medium-Term Notes. This has been partially offset by the strengthening of the NZD/USD spot rate from 0.76 at 30 September 2011 to 0.84 at 30 September 2012.

Net interest income of $8 million for the year to 30 September 2012 was consistent with the prior financial year ($8 million).

Principal Risks and Uncertainties

The Company expects minimal change to principal risks and uncertainties over the next year.

The Company's exposure to risk arises from the Company's operations as a financial intermediary and participant in the financial markets. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting, and risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

The Company carries minimal interest rate, liquidity and currency risk reflecting the Company's role as a financial intermediary. The Company's principal credit risk exposure continues to be to the Parent Company. Operational risk is managed through a comprehensive infrastructure of effective policies, procedures, businesses systems and compliance.

Other Information

- No important events have occurred since the end of the financial year
- No significant changes are planned to the future operations of the Company.
- The Company is not involved in research and development.
- The Company has not acquired any of its own shares.
- The Company only operates through its London branch.

Directors

The Directors of the Company as at 30 September 2012 were:

- David Hisco
- Nick Freeman; and
- Jennifer Evans

There have not been any changes to the Directors of the Company since 30 September 2011.

Responsibility Statement

As at the date on which this Responsibility Statement is signed, after due enquiry and to the best of their knowledge, the Directors confirm that:

(a) the financial statements, prepared in accordance with New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) the management report of the Company includes a fair review of the development and performance of the business and the position of the Company and the principal risks and uncertainties that it faces.

For and on behalf of the Board of Directors:

Nick Freeman	Jennifer Evans
Director	Director
22 November 2012	22 November 2012

Statement of Comprehensive Income

$ millions	Note	**Year to 30/09/2012**	Year to 30/09/2011
Interest income	**6**	**425**	438
Interest expense	**2**	**417**	430
Net interest income		**8**	8
Operating expenses		**1**	1
Profit before income tax		**7**	7
Income tax expense	**3**	**2**	2
Profit after income tax		**5**	5

There are no items of other comprehensive income.

Statement of Changes in Equity

$ millions	Note	Foreign Currency Translation Reserve	Retained Profits	Total Equity
As at 1 October 2010		3	3	6
Profit after tax		-	5	5
Ordinary dividend paid	**8**	-	(3)	(3)
As at 30 September 2011		3	5	8
Transfer on change in functional currency		**(3)**	**3**	**-**
Profit after income tax		**-**	**5**	**5**
Total comprehensive income		**(3)**	**8**	**5**
Ordinary dividend paid	**8**	**-**	**(8)**	**(8)**
As at 30 September 2012		**-**	**5**	**5**

Balance Sheet

$ millions	Note	30/09/2012	30/09/2011
Assets			
Due from the Parent Company	**6**	**20,318**	19,992
Total assets		**20,318**	19,992
Liabilities			
Accrued interest payable		**98**	104
Commercial paper	**4**	**5,444**	4,790
Current tax liabilities		**1**	1
Due to other related parties		**206**	2
Bonds and notes	**5**	**14,564**	15,087
Total liabilities		**20,313**	19,984
Net assets		**5**	8
Equity			
Foreign currency translation reserve		**-**	3
Retained profits		**5**	5
Total Equity	**8**	**5**	8

For and on behalf of the Board of Directors:

Nick Freeman
Director
22 November 2012

Jennifer Evans
Director
22 November 2012

Cash Flow Statement

$ millions	**Year to 30/09/2012**	Year to 30/09/2011
Cash flows from operating activities		
Interest received	**431**	444
Interest paid	**(423)**	(436)
Operating expenses	**(1)**	(1)
Tax paid	**(2)**	(2)
Net cash flows provided by operating activities	**5**	5
Cash flows from investing activities		
Decrease / (increase) in due from the Parent Company	**(2,580)**	2,823
Decrease in due from other related parties	**-**	1,427
Net cash flows provided by / (used in) investing activities	**(2,580)**	4,250
Cash flows from financing activities		
Proceeds from bonds and notes	**4,877**	1,767
Increase in due to other related parties	**204**	-
Increase / (decrease) in commercial paper	**1,595**	(2,940)
Redemption of bonds and notes	**(4,093)**	(3,079)
Dividends paid	**(8)**	(3)
Net cash flows provided by / (used in) financing activities	**2,575**	(4,255)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of the year	**-**	-
Cash and cash equivalents at end of the year	**-**	-

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	**5**	5
Adjustments		
Change in accrued interest receivable	**6**	7
Change in accrued interest payable	**(6)**	(7)
Net cash flows provided by operating activities	**5**	5

Liquidity facilities		
Unsecured liquidity facilities available to the Company	-	1,250

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

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

(iii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Changes in accounting policies and application of new accounting standards

On 1 October 2011 the Company changed its functional currency to New Zealand dollars ("NZD") from United States dollars ("USD"), because of the increase in the number of currencies in which funding is obtained and that the Company operates as a financial intermediary with the Parent Company. NZD was chosen as the new functional currency because it is the functional currency of the Parent Company and the Company's activities are substantially managed in NZD. The change in functional currency has been accounted for prospectively from the date of change. As shown in the statement of changes in equity, the foreign currency translation reserve of $3 million was transferred to retained profits on 1 October 2011.

The Company previously applied the Framework for Differential Reporting for Entities applying the NZ IFRS Reporting Regime ("the Framework for Differential Reporting"). This year, the Company has elected to not apply exemptions available under the Framework for Differential Reporting, which related only to disclosure and did not impact any recognition or measurement criteria.

The Company has applied, where relevant, all new or revised NZ IFRSs and NZ IFRS Interpretations applicable to the year ended 30 September 2012; however these affected disclosure only and did not have a material impact.

(v) Rounding

The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vi) Comparatives

Related party payables with a carrying value of $2,294 million as at 30 September 2011 have been reclassified to bonds and notes ($2,290 million) and accrued interest ($4 million) to show all bonds and notes on issue together, and to be consistent with disclosures in the financial statements of the Parent Company. Interest income and interest expense for the year ended 30 September 2011 have been increased by $54 million to adjust for interest that had previously been shown net.

These reclassifications did not change the amounts for total assets, total liabilities, or net interest income that had been reported previously. Amounts in the cash flow statement and the notes to the financial statements have been reclassified accordingly.

(vii) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the income statement in the period in which they arise.

(b) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(c) Income tax

(i) Income tax expense

Income tax on profits for the period comprises current and deferred tax. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

(ii) Current tax

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements

(d) Recognition and derecognition of financial assets and financial liabilities

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper, amounts due to related parties and bonds and notes.

The Company recognises a financial asset or liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets and financial liabilities are initially recognised at fair value including directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Derecognition

The Company derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Company derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(e) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where:

- there is a current enforceable legal right to offset the asset and liability; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Cash flow statement

Cash and cash equivalents comprise cash at bank.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and immediately lent to the Parent Company. These cash flows are high volume and short term in nature and include commercial paper and related party balances.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

As the principal activity of the Company is the raising of external funding, which is on-lent to the Parent Company at a margin, and the majority of its revenue is not earned from external customers, the Company does not have any reportable segments.

(f) Other

(i) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

NZ IFRS 13 Fair value measurement (effective for periods commencing after 1 January 2013)
Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

NZ IFRS 9 Financial Instruments (effective for periods commencing after 1 January 2015)
Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

Notes to the Financial Statements

2. Interest Expense

$ millions	**Year to 30/09/2012**	Year to 30/09/2011
Commercial paper	**20**	16
Bonds and notes	**397**	414
Total interest expense	**417**	430

3. Income Tax

$ millions	**Year to 30/09/2012**	Year to 30/09/2011
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	**7**	7
Prima facie income tax at 28% (2011: 30%)	**2**	2
Total income tax expense	**2**	2
Amounts recognised in the statement of comprehensive income		
Current tax	**2**	2

4. Commercial Paper

$ millions	**30/09/2012**	30/09/2011
U.S. commercial paper	**4,954**	4,302
Euro commercial paper	**490**	488
Total commercial paper	**5,444**	4,790

Commercial paper issued is guaranteed by the Parent Company.

5. Bonds and notes

$ millions	**30/09/2012**	30/09/2011
U.S. medium term notes	**7,423**	9,088
Euro medium term notes	**4,179**	5,999
Covered bonds	**2,962**	-
Total bonds and notes	**14,564**	15,087

Bonds and notes issued are guaranteed by the Parent Company. $205 million (2011: $2,317 million) of the notes also benefit from a supporting guarantee from the New Zealand Crown. Bonds and notes are unsecured and rank equally with other unsecured liabilities.

Covered Bonds

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

Notes to the Financial Statements

6. Related Party Transactions

Transactions with other related parties

The Company undertakes transactions with the Parent Company and other members of the Australia and New Zealand Banking Group Limited group of companies ("ANZ Group"). These transactions principally consist of funding transactions. Other members of the ANZ Group provide administrative functions, including remuneration of key management personnel, to the Company for which no payments have been made.

Audit fees of $32,633 (2011: $32,633) have been paid by the Parent Company for nil consideration (2011: nil).

All interest income is from the Parent Company. Interest expense on bonds and notes includes $30 million (2011: $30 million) paid to subsidiaries of the Ultimate Parent.

Balances with related parties

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised.

Bonds and notes includes $1,257 million (2011: $2,290 million) of notes that have been issued to subsidiaries of the Ultimate Parent.

Amounts due to other related parties are guaranteed by the Parent Company.

7. Current and Non-current Assets and Liabilities

$ millions	**30/09/2012**		30/09/2011	
	Current	**Non-current**	Current	Non-current
Assets				
Due from Parent Company	**9,707**	**10,611**	9,172	10,820
Total assets	**9,707**	**10,611**	9,172	10,820
Liabilities				
Accrued interest payable	**98**	**-**	104	-
Commercial paper	**5,444**	**-**	4,790	-
Current tax liabilities	**1**	**-**	1	-
Due to other related parties	**206**	**-**	2	-
Bonds and notes	**3,953**	**10,611**	4,267	10,820
Total liabilities	**9,702**	**10,611**	9,164	10,820

Assets and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

8. Equity

Capital management policies

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide funding for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital comprises issued share capital and retained earnings. The Company's dividend policy is to distribute all retained profits to the Parent Company.

Ordinary share capital

The Company's share capital consists of 500,000 (2011: 500,000) fully paid ordinary shares that have the rights and powers prescribed by Section 36 of the Companies Act 1993. The shares have a carrying value of $499,900.

The dividend on ordinary shares was $16.58 per share (2011: $6.01).

Notes to the Financial Statements

9. Financial Risk Management

Financial instruments are entered into by the Company in its operations as a financial intermediary. The Company's operations are matched funded to minimise interest rate, currency and liquidity risks.

There are no material off balance sheet instruments. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting. Risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

The Company's principal exposure is to the Parent Company and the carrying amount represents the Company's maximum and net exposure to credit risk.

Market risk

Interest rate risk

The impact of a 1% rate movement on the Company's net interest income would not have a material impact.

The following tables represent the interest rate sensitivity of the Company's assets and liabilities by showing the periods in which these instruments may reprice (that is, when interest rates applicable to each asset or liability can be changed). The repricing gaps are based on contractual repricing information.

$ millions	Carrying value	At call or less than 3 months	3-6 months	6-12 months	1-5 years	Non interest bearing
30/09/2012						
Assets						
Due from the Parent Company	**20,318**	**8,862**	**2,048**	**2,570**	**6,730**	**108**
Total financial assets	**20,318**	**8,862**	**2,048**	**2,570**	**6,730**	**108**
Liabilities and equity						
Accrued interest payable	**98**	**-**	**-**	**-**	**-**	**98**
Commercial paper	**5,444**	**3,216**	**2,053**	**175**	**-**	**-**
Due to other related parties	**206**	**204**	**-**	**-**	**-**	**2**
Bonds and notes	**14,564**	**5,439**	**-**	**2,395**	**6,730**	**-**
Total financial liabilities	**20,312**	**8,859**	**2,053**	**2,570**	**6,730**	**100**
Net repricing profile	**6**	**3**	**(5)**	**-**	**-**	**8**

$ millions	Carrying value	Less than 3 months	3-6 months	6-12 months	1-5 years	Non interest bearing
30/09/2011						
Assets						
Due from the Parent Company	19,992	9,487	1,188	2,066	7,139	112
Total financial assets	19,992	9,487	1,188	2,066	7,139	112
Liabilities and equity						
Accrued interest payable	104	-	-	-	-	104
Commercial paper	4,790	3,502	1,183	105	-	-
Due to other related parties	2	-	-	-	-	2
Bonds and notes	15,087	5,986	-	1,962	7,139	-
Total financial liabilities	19,983	9,488	1,183	2,067	7,139	106
Net repricing profile	9	(1)	5	(1)	-	6

Notes to the Financial Statements

Currency risk

Currency risk arises from changes in foreign exchange rates impacting on residual currency positions that may result from the Company's business as a financial intermediary.

Currency risk is monitored in terms of open positions to each currency, based on nominal value and the duration of each exposure. The total amount of foreign currency exposures, whether recognised or unrecognised, within each currency is not material.

Liquidity risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. Liquidity risk arises from mismatch in the final maturity of on-balance sheet assets and liabilities plus settlement of off-balance sheet activities.

The following maturity analysis of assets and liabilities has been prepared on the basis of the remaining period to contractual maturity as at balance date. The amounts represent principal and interest cash flows and may differ compared to the amounts reported on the balance sheet.

$ millions	Total	Less than 3 months	3-12 months	1-5 years	Beyond 5 years	No specified maturity
30/09/2012						
Assets						
Due from the Parent Company	**21,060**	**4,478**	**5,469**	**9,545**	**1,568**	**-**
Total financial assets	**21,060**	**4,478**	**5,469**	**9,545**	**1,568**	**-**
Liabilities						
Commercial paper	**5,449**	**2,632**	**2,817**	**-**	**-**	**-**
Due to other related parties	**206**	**206**	**-**	**-**	**-**	**-**
Bonds and notes	**15,379**	**1,626**	**2,652**	**9,534**	**1,567**	**-**
Total financial liabilities	**21,034**	**4,464**	**5,469**	**9,534**	**1,567**	**-**
Net liquidity gap	**26**	**14**	**-**	**11**	**1**	**-**

$ millions	Total	Less than 3 months	3-12 months	1-5 years	Beyond 5 years	No specified maturity
30/09/2011						
Assets						
Due from the Parent Company	20,793	4,714	4,756	11,323	-	-
Total financial assets	20,793	4,714	4,756	11,323	-	-
Liabilities						
Commercial paper	4,794	3,374	1,420	-	-	-
Due to other related parties	2	2	-	-	-	-
Bonds and notes	15,969	1,333	3,324	11,312	-	-
Total financial liabilities	20,765	4,709	4,744	11,312	-	-
Net liquidity gap	28	5	12	11	-	-

Notes to the Financial Statements

10. Fair value of financial instruments

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

- for accrued interest payable, the carrying amount is equivalent to the fair value.
- for all other financial assets and financial liabilities, estimated fair values are based on market rates.

$ millions	**30/09/2011** Carrying Amount	**30/09/2011** Fair Value	30/09/2010 Carrying Amount	30/09/2010 Fair Value
Financial assets				
Due from the Parent Company	**20,318**	**20,460**	19,992	20,149
Total financial assets	**20,318**	**20,460**	19,992	20,149
Financial liabilities				
Accrued interest payable	**98**	**98**	104	104
Commercial paper	**5,444**	**5,445**	4,790	4,790
Due to other related parties	**206**	**206**	2	2
Bonds and notes	**14,564**	**14,706**	15,087	15,244
Total financial liabilities	**20,312**	**20,455**	19,983	20,140

Independent Auditor's Report

To the Shareholder of ANZ New Zealand (Int'l) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of ANZ New Zealand (Int'l) Limited (formerly ANZ National (Int'l) Limited) ("the Company") on pages 2 to 11. The financial statements comprise the balance sheet as at 30 September 2012, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Opinion

In our opinion the financial statements on pages 2 to 11:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company as at 30 September 2012 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by ANZ New Zealand (Int'l) Limited as far as appears from our examination of those records.

KPMG

Wellington
22 November 2012

anz.co.nz

Annex B—Form of Final Terms

ANZ New Zealand (Int'l) Limited /ANZ Bank New Zealand Limited US$10,000,000,000 Medium-Term Note, Series A, Offering Memorandum dated March 8, 2013 (the "Offering Memorandum").

[This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "Prospectus Directive"), and must be read in conjunction with the Offering Memorandum [and the supplements[s] dated []], which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on ANZ New Zealand (Int'l) Limited/ANZ Bank New Zealand Limited and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum [and the supplement[s] dated []].

The Offering Memorandum [and the supplement[s] dated []] is [are] available for viewing [at http://www.debtinvestors.anz.com/phoenix.zhtml?c=248688&p=us-mtn-nz] [and] during normal business hours at ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand [and copies may be obtained from ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand].] / [This document constitutes the Final Terms—dated [ ] of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "Prospectus Directive"), and must be read in conjunction with the Offering Memorandum [and the supplement[s] dated []], which constitutes a base prospectus for the purposes of the Prospectus Directive, including the terms and conditions of the Notes as set out in the section entitled "Description of the Notes and the Guarantee" in the Offering Memorandum dated [] and incorporated by reference into the Offering Memorandum. Full information on ANZ New Zealand (Int'l) Limited/ANZ Bank New Zealand Limited and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum [and the supplement[s] dated []]. The Offering Memorandum [and the supplement[s] dated []] [and the terms and conditions of the Notes, as set out in the section entitled "Description of the Notes and and the Guarantee" in the Offering Memorandum dated []] is [are] available for viewing [at http://www.debtinvestors.anz.com/phoenix.zhtml?c=248688&p=us-mtn-nz] [and] during normal business hours at ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand [and copies may be obtained from ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand].]

Final Terms—dated [ ]

In terms of the Fiscal Agency Agreement dated as of March 15, 2005, as amended we wish to advise the following in respect of the latest issue of Notes.

Deal Reference MTN:	[ ]	
Issuer:	[ANZ New Zealand (Int'l) Limited] OR [ANZ Bank New Zealand Limited]	
[Guarantor]	[ANZ Bank New Zealand Limited]	13.4.5(C)
Principal Amount and Specified Currency:	[US$[ ]] OR [ ]	13.4.5(C)
Option to receive payment in Specified Currency:	[Not Applicable] OR [ ]	
Type of Note:	[Rule 144A Global Note] OR [Regulation S Global Note] OR [Rule 144A Global Note and Regulation S Global Note]	13.4.2(i)(B)
Date on which the Notes will be consolidated to form a single series:	[The Notes will be consolidated and form a single series with [] on the [Issue Date].] [Not Applicable]	13.4.2(i)(B)
Issue Date:	[ ]	13.4.13(C)
Stated Maturity:	[ ]	13.4.9(i)(C)
Redemption:	[No redemption at the option of the Issuer prior to Stated Maturity (other than for tax reasons)] OR [At option of the Issuer -]	13.4.9(i)(B) 13.4.9(i)(B)
Repayment:	[No repayment at the option of the holders prior to Stated Maturity] OR [At option of holders -]	
Fixed Rate Notes:	[Applicable/Not Applicable]	13.4.8(ii)(B)
Interest Rate:	[ ]% per annum	13.4.8(C)

Interest Rate Frequency:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]	
Regular Record Date(s):	[The [ ]th calendar day before the interest payment date]	
Interest Payment Dates:	[ ]	13.4.8(iii)(C)
Floating Rate Notes:	[Applicable/Not Applicable]	13.4.8(iv)(C)
Floating Rate:	Specified Interest Rate [+/−Spread] [x Spread Multiplier][Inverse Floating Rate][Floating Rate/Fixed Rate]	13.4.8(vii)(C) 13.4.8(viii)(B)
Initial Interest Rate:	[ ]%	13.4.8(C)
Base Rate:	[Commercial Paper Rate] OR [Prime Rate] OR [CD Rate] OR [Federal Funds Rate] OR [LIBOR] OR [EURIBOR] OR [Treasury Rate] OR [CMT Rate] OR [Eleventh District Cost of Funds Rate] OR [New Zealand Bank Bill Rate] OR [Australian Bank Bill Rate]	
Initial Base Rate:	[ ]%	
Spread (if applicable):	[Not Applicable] OR [ ]	
Spread Multiplier (if applicable):	[Not Applicable] OR [ ]	
Maximum (if applicable):	[Not Applicable] OR [ ]	
Minimum (if applicable):	[Not Applicable] OR [ ]	
Interest Payment Dates:	[third Wednesday of each month/March/June/September/ December] OR [ ]	13.4.8(iii)(C) 13.4.8(iv)(C)
Interest Payment Period:	[ ]	
Interest Reset Period:	[ ]	
Interest Reset Dates:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]	
Initial Interest Reset Date:	[ ]	
Calculation Date:	[Earlier of the tenth calendar day after Interest Determination Date, or if such day is not a Business Day, the next succeeding Business Day and the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be] OR [Not Applicable—if LIBOR, EURIBOR, Australian Bank Bill Rate or New Zealand Bank Bill Rate] OR [ ]	
Interest Determination Dates:	[ ]	
Index Maturity:	[ ]	
LIBOR Notes:	[Applicable/Not Applicable]	
Applicable provisions:	[Reuters LIBOR01]	
Designated LIBOR Page:	[Reuters LIBOR01]	
Index currency:	[ ]	
CMT Rate Notes:	[Applicable/Not Applicable]	
Designated CMT Page:	[Reuters FRBCMT/Reuters FEDCMT]	
	[Weekly Average] OR [Monthly Average]	
Designated CMT Maturity Index:	[1/2/3/5/7/10/20/30]	
Floating Rate/Fixed Rate Security:	[Applicable/Not Applicable]	
Fixed Rate Commencement Date:	[Not Applicable] OR [ ]	
Fixed Interest Rate:	[Not Applicable] OR [ ]	
Fixed Rate/Floating Rate Security:	[Applicable/Not Applicable]	
Floating Rate Commencement Date:	[ ]	
Inverse Floating Rate Security:	[Applicable/Not Applicable]	

Original Issue Discount Notes:	[Applicable/Not Applicable]	
Zero Coupon Notes:	[Applicable/Not Applicable]	
Redemption:	[Applicable/Not Applicable]	13.4.9(i)(C)
Redemption Commencement Date:	[ ]	
Redemption Price(s):	[ ]	
Redemption Period(s):	[ ]	
Yield:	[ ] %	13.4.10(C)
General Provisions:		
Business Day Convention:	[Following Business Day Convention] OR [Modified Following Business Day] OR [Preceding Business Day Convention]	
Business Days:	[ ]	
Alternative Day Count Fraction:	[ ]OR [Not Applicable]	
Issue Price(%):	[ ]%	
Issue Price($):	[US$[ ]] OR [ ]	
Agent(s) acting in capacity of:	[Principal] OR [Agent]	13.5.2(C)
Additional Paying Agent:	[ ]	
Listing:	[The Official List of the UK Listing Authority/Other]	13.5.1(i)(C) 13.5.1(ii)(C)
Admission to trading:	[Application has been made for the Notes to be admitted to trading on the London Stock Exchange with effect from [ ].] OR [Not Applicable]	
Denominations:	[ ]	
Covenant Defeasance:	[Applicable/Not Applicable]	
CUSIP:	[ ]	
ISIN:	[ ]	13.4.2(ii)(C)
Common Code:	[ ]	
Ratings:	The Notes to be issued [have been] OR [are expected to be] rated:	13.7.5(C)
	[Standard & Poor's (Australia) Pty. Ltd. [ ]]	
	[Moody's Investors Service Pty Limited [ ]]	
	[Fitch Australia Pty Ltd [ ]]	
Interests of natural and legal persons involved in the issue:	Save for the fees payable to [•][, [•] and [•]] (the "Offering Agent[s]"), so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.	13.3(C)
Reasons for the offer:	[ ]	
(i) Estimated net proceeds:	[ ]	
(ii) Estimated total expenses:	[ ]	13.6.1(C)

[The information relating to [ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.] 9.13.2 11.13.2 13.7.4(C)

Signed on behalf of the Issuer:

By:

Duly authorized

[By:

Duly authorized]

ANZ Bank New Zealand Limited 11.4.1.4
ANZ Centre, 23-29 Albert Street
Auckland 1010
New Zealand

ANZ New Zealand (Int'l) Limited 9.4.1.4
ANZ Centre, 23-29 Albert Street
Auckland 1010
New Zealand

13.4.4(ii)(C)
13.4.8(xi)(C)
13.5.2(C)

Fiscal Agent and Paying Agent

The Bank of New York Mellon
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Floor 21 West
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United States

Calculation Agent, Listing Agent and London Paying Agent
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New Zealand

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New York, New York 10004-2413
United States

ANZ Bank New Zealand Limited

ANZ New Zealand (Int'l) Limited