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:
  - Australian Bank Bill Rate
  - CD Rate
  - CMT Rate
  - Commercial Paper Rate
  - Eleventh District Cost of Funds Rate
  - EURIBOR
  - Federal Funds Rate
  - LIBOR
  - Prime Rate
  - Treasury Rate
  - New Zealand Bank Bill 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 21 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 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 in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000, as amended (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 organization.

Arranger and Lead Agent

J.P. Morgan

Agents

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

December 18, 2015

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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 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 January 20, 2015, 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 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 June 30, 2015, for the ANZ New Zealand and ANZNIL medium-term note program.

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.

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.

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 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.

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, 2015 (the "**2015 Disclosure Statement**") and the year ended September 30, 2014 (the "**2014 Disclosure Statement**"), which contain the audited consolidated financial statements of the ANZ New Zealand Group for the years ended September 30, 2015 (the "**2015 ANZ New Zealand Financial Statements**"), 2014 (the "**2014 ANZ New Zealand Financial Statements**") and 2013 (collectively the "**ANZ New Zealand Financial Statements**"), are attached to this Offering Memorandum as Annex A. Information in each Disclosure Statement is superseded by information contained in each subsequent 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 changes to the ANZ New Zealand Group structure. Comparative data for the year ended September 30, 2014, 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, 2013 and, therefore, segment results for 2013 are compared to the unadjusted 2014 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, 2015 and 2014 (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 Fiscal Agency Agreement (as defined herein). Written requests should be addressed to ANZ Bank New Zealand Limited, Level 10, P.O. Box 540, 171 Featherston 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.

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 "**LVR**" mean loan-to-value ratio;
- 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 "**Noteholder**" are to a holder of Notes;
- 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 and any supplement hereto;
- 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 "**2015**" mean our fiscal year ended September 30, 2015, and references to 2014 and 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 may contain 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", "probability", "probably", "risk", "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 or other jurisdictions in which we or our customers operate, in particular, Australia, Asia, Europe and the U.S.;
- adverse conditions in the residential housing market in New Zealand;
- the impact of cyclones, tsunamis, floods, earthquakes and other natural disasters;
- 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 rates, exchange rates, markets and monetary fluctuations and longer term changes;
- the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), regulatory disclosures and taxation and accounting standards in New Zealand and worldwide;
- 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 the U.S.;
- commercial and residential mortgage lending and real estate market conditions in New Zealand;
- the effects of competition in the geographic and business environments in which we, our customers or our counterparties operate;
- our ability to maintain or increase market share and control expenses;
- our 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 our customers;
- an adverse change to our reputation;
- the reliability and security of our technology and the various risks associated with changes to our information and 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 exports and tourism sectors;

- the stability of New Zealand, Australian, international and regional financial systems and disruptions to financial markets, the financial and credit uncertainty in Europe, China and the U.S. and any losses we or our customers may experience as a result;

- the impact of existing or potential litigation and regulatory actions applicable to the ANZ New Zealand Group, its business or its customers;

- the effectiveness of our risk management policies, including our internal processes, systems and employees;

- changes to the value of intangible assets;

- other risks and uncertainties detailed under "Regulation and Supervision", "Competition" and "Risk Factors"; 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.

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**").

The independent auditors of the ANZ New Zealand Financial Statements and the ANZNIL Financial Statements for the 2015, 2014 and 2013 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.

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.

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 2015. On October 29, 2012, ANZ National Bank Limited changed its name to ANZ Bank New Zealand Limited and combined its two banking brands (ANZ and The National Bank) under the ANZ brand. As at September 30, 2015, ANZ New Zealand Group had total assets of $147,527 million and held the largest market share compared to other registered banks in New Zealand in most customer segments in which it participates.

As at September 30, 2015, ANZ New Zealand held approximately 31% 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.

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.

Our Strategy

We aspire to be New Zealand's best bank by helping New Zealanders become more successful. To that end we have five strategic priorities:

1. Leverage our scale advantage by building and enabling our world class sales teams to capture cross-selling and share growth opportunities.
2. Empower customers and drive efficiency and sales through further developing digital and payment capability.
3. Maximize our scale advantage by simplifying our products, processes, policies and technology, leveraging Group investment.
4. Improve the usage of our data to better understand our customer needs and deliver personalized solutions.
5. Improve our connections between frontline channels to support customer interactions.

Recent Developments

Changes to the ANZBGL and ANZ New Zealand Executive and Board of Directors

On October 1, 2015, ANZBGL announced that Shayne Elliott will succeed Michael Smith as ANZBGL Chief Executive Officer on January 1, 2016. Mr. Smith will step down on December 31, 2015. Mr. Smith will be retained as a non-executive advisor to the ANZBGL Board, initially for one year, commencing July 11, 2016 after his period of leave.

On November 24, 2015, ANZ New Zealand announced that Mr. Smith will resign as a director of ANZ New Zealand on December 21, 2015. On December 14, 2015, Nigel Williams was appointed as a non-executive director of ANZ New Zealand. ANZ New Zealand will continue to meet its corporate governance requirements relating to board size and composition.

Changes to ANZBGL's ability to provide material financial support

APRA has reviewed the level of exposures that can be provided to the respective New Zealand banking subsidiaries and branches ("**New Zealand operations**") of the four Australian parent banks, including ANZBGL. As a consequence, by January 1, 2021, ANZBGL's non-equity exposures (i.e., exposures other than equity investments and investments in capital instruments) to us and ANZBGL's other operations in New Zealand in ordinary times, including senior funding, cannot exceed more than five percent of ANZBGL's Level 1 Tier 1 capital. Excess exposures must be reduced by at least one-fifth by the end of each calendar year over the five year reduction period and may not exceed exposures as at June 30, 2015 until ANZBGL is, and expects to remain, below the five percent limit. In addition, APRA has stated that ANZBGL's ability to provide us with contingent funding during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to us and its other New Zealand operations, must not exceed 50 percent of ANZBGL's Level 1 Tier 1 capital. For further discussion, see the section entitled "Australia and New Zealand Banking Group Limited — Restrictions on ANZBGL's ability to provide material financial support."

Contingent Liabilities

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

Reduction in dairy payout

In the RBNZ Monetary Policy Statement released on September 10, 2015 the following concern was noted:

"For New Zealand, lower dairy prices imply reduced cash flow in the dairy sector over the current and subsequent season, with flow-on effects to incomes and confidence in the wider economy. [T]he falls in dairy prices over the past year have contributed to a weaker outlook for medium-term inflationary pressures. We assume the recovery in world dairy prices, towards a more sustainable level, will be slow. Prices on the GlobalDairyTrade platform are assumed to remain subdued over the next year before picking up. The dairy price falls already seen will weigh on incomes both this season and next. In the rural sector especially, and through the economy more widely, economic confidence has fallen and growth in domestic spending has eased."

This may have an impact on ANZ New Zealand's future results.

ANZ New Zealand organizational structure

Business lines and executive team

Our business is organized into the following four major business segments: (1) Retail (comprising personal and Business Banking), (2) Commercial (comprising 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 and Business Banking customers via the branch network, mortgage specialists, business managers, the contact center and a variety of self-service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Retail customers have personal banking requirements and Business Banking customers consist primarily of small enterprises with annual revenues of less than NZ$5 million. Core products include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home and business loans secured by mortgages over property. The Retail business unit distributes insurance and investment products on behalf of the Global Wealth segment.

As at September 30, 2015, Retail had a network of 225 branches (a decrease of 8, compared to September 30, 2014, due to the restructuring of the branch network), 676 ATMs and 8 mobile ATMs. Customers have access to phone and mobile phone banking and on-line banking services.

As at September 30, 2015, Retail had total loans of $57.2 billion and total deposits of $53.4 billion, including total loans to Business Banking customers of $26.8 billion and total deposits of $13.9 billion.

Commercial

Commercial provides services to Commercial & Agri ("**CommAgri**") and UDC customers. CommAgri customers consist primarily of privately-owned medium to large enterprises but include firms with annual turnover of up to NZ$250 million. Commercial'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, 2015, Commercial had total loans of $39.3 billion and total deposits of $12.3 billion.

Wealth

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

As at September 30, 2015, Wealth businesses had total loans of $2.0 billion and total deposits of $5.7 billion.

As at September 30, 2015, funds managed by ANZ Wealth totaled approximately $21.9 billion. As at September 30, 2015, the One Path Life (NZ) Limited insurance business comprised assets totalling $884 million, which was 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, which 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, 2015, Institutional had total loans of $7.6 billion and total deposits of $13.5 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 comprised of the following roles:

Executive Team

- Chief Executive Officer;
- Managing Director, Retail and Business Banking;

- Managing Director, Commercial and Agri;
- Managing Director Wealth;
- Managing Director Institutional;
- Chief Operating Officer;
- Chief Financial Officer;
- Chief Risk Officer;
- General Manager Human Resources;
- General Counsel & Company Secretary;
- Head of Corporate Affairs; and
- Head of Marketing.

Branding Strategy

The Retail, Commercial, Wealth and Institutional segments 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);
- ANZ Securities (online share and debt instrument trading);
- ANZ New Zealand Investments Limited (superannuation and investment products);
- OnePath Life (insurance); 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, these banks 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 deposits and agricultural lending markets. International banks such as Citigroup, HSBC and Deutsche Bank participate in a limited manner in the institutional market. Since late 2013, Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB) and Bank of China (BOC) have obtained banking licenses to establish New Zealand subsidiaries. Their initial focus appears to be in wholesale banking, in particular, trade banking to and from China.

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 competitive tension.

Effective from November 1, 2015, the RBNZ has changed the existing LVR restriction framework for New Zealand banks. Residential property investors in the Auckland Council area using bank loans are now required to have a deposit at the lending bank of at least 30% of the value of the property (subject to certain exempted categories). For owner occupiers within the Auckland Council area, the "speed limit" (the amount of a bank's applicable new residential mortgage lending that can have a LVR greater than or equal to the prescribed LVR percentage) for over 80% LVR lending remains at 10%, while the speed limit for over 80% LVR lending outside of Auckland Council area has eased from 10% to 15%. These restrictions are a condition of registration for all registered New Zealand banks.

Outside the banking sector, a number of smaller finance companies in New Zealand are active in the personal and commercial property markets through competitive lending and deposit product offerings, although their number has fallen in recent years. The non-banking sector constituted approximately 3% of total financial system assets as of September 30, 2015.

Significant Subsidiaries

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, 2015, 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, 2015, 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, 2015, we employed 7,724 core full-time equivalent employees, consisting of 6,997 people employed on a full-time basis, 727 full-time equivalent employees employed on a part-time basis, and 114 people on fixed-term contracts. In addition, we had a further 91-full-time equivalent employees employed on a casual basis and 170 independent contractors and temporary staff.

	As of September 30,				
	2015	2014	2013	2012	2011
Number of core full-time equivalent employees[1]	**7,724**	7,900	7,949	8,571	8,882

(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 has decreased from 7,900 as at September 30, 2014, to 7,724 as at September 30, 2015.

ANZ considers our relationship with employees to be satisfactory. ANZ New Zealand's collective employment agreement with FirstUnion, which affects approximately 1,000 employees, was renewed in June 2015 and will expire on July 31, 2016.

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 47 properties including head office buildings, residences, carparks and two data centers. Our most valuable freehold properties are Lady Ruby Drive Data Centre (Auckland), Aintree Ave Data Centre (Auckland), 170 Featherston Street (Wellington) and 1 Victoria Street (Wellington). We have entered into an agreement to sell 1 Victoria Street (Wellington) for approximately $14.65 million, which settled on December 1, 2015.

As of the date of this Offering Memorandum, we lease approximately 646 properties including branches, offices, carparks 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

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. ANZNIL is largely dependent on its parent, ANZ New Zealand, as ANZ New Zealand fully guarantees all obligations under ANZNIL's funding programs.

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 RBC Capital Markets, 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".
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.
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).
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).

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.

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".

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".

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.

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. 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.
Transfer Restrictions	There are selling restrictions in relation to the United States, the United Kingdom, New Zealand, the European Economic Area, Japan, Hong Kong, Singapore, Canada 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".

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.

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, 2015, 2014, 2013, 2012 and 2011 and the income statement data for the fiscal years ended September 30, 2015, 2014, 2013, 2012 and 2011 have been derived from the ANZ New Zealand Group's audited consolidated financial statements for the years ended September 30, 2015, 2014, 2013, 2012 and 2011 (except as designated in the footnotes to the following tables). 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.

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

						Year ended September 30,
NZ$ millions (unless otherwise stated)	**2015 US$ millions**[1]	**2015**	2014	2013[2]	2012	2011
Interest income	**4,426**	**6,926**	6,272	5,957	6,017	6,179
Interest expense	**2,589**	**4,051**	3,529	3,344	3,335	3,620
Net interest income	**1,837**	**2,875**	2,743	2,613	2,682	2,559
Other operating income	**751**	**1,175**	1,085	823	1,006	856
Net operating income	**2,588**	**4,050**	3,828	3,436	3,688	3,415
Operating expenses	**966**	**1,512**	1,489	1,512	1,742	1,686
Profit before credit impairment and income tax	**1,622**	**2,538**	2,339	1,924	1,946	1,729
Credit impairment charge / (release)	**47**	**74**	(16)	63	193	178
Profit before income tax	**1,575**	**2,464**	2,355	1,861	1,753	1,551
Income tax expense	**436**	**681**	639	490	428	452
Profit after income tax	**1,139**	**1,783**	1,716	1,371	1,325	1,099

(1) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

(2) Amounts for the year ended September 30, 2013, have been restated as a result of the retrospective application, in accordance with transitional provisions, of NZ IAS 19 Employee Benefits (amended 2011). The impact of the restatement was not material. Further details of the restated amounts are included in Note 1 to the 2014 ANZ New Zealand Financial Statements (attached as Annex A).

Summary consolidated balance sheet

NZ$ millions (unless otherwise stated)	2015 US$ millions[1,2]	2015[2]	2014[2]	2013[2] Restated	2013[2]	2012[2,3,4]	2011[2,3,4]
							As at September 30,
Assets							
Liquid assets	**n/a**	**n/a**	n/a	n/a	2,496	2,831	2,455
Due from other financial institutions	**n/a**	**n/a**	n/a	n/a	1,570	1,722	4,629
Cash	**1,521**	**2,380**	1,822	2,206	n/a	n/a	n/a
Settlement balances receivable	**197**	**309**	855	514	n/a	n/a	n/a
Collateral paid	**1,233**	**1,929**	783	1,002	n/a	n/a	n/a
Trading securities	**7,757**	**12,139**	11,750	10,320	10,320	12,338	9,466
Investments backing insurance contract liabilities	**96**	**151**	190	172	172	142	97
Derivative financial instruments	**11,283**	**17,658**	11,404	9,518	9,518	12,753	15,635
Current tax assets	**-**	**-**	-	-	-	15	-
Available-for-sale assets	**912**	**1,428**	772	942	782	57	411
Net loans and advances	**67,962**	**106,357**	96,299	90,837	90,489	86,678	83,610
Other assets	**473**	**740**	648	567	731	592	863
Life insurance contract assets[3]	**353**	**552**	470	399	399	408	200
Investment in associates	**3**	**4**	88	98	98	99	100
Deferred tax assets	**-**	**-**	-	45	39	93	139
Premises and equipment	**248**	**388**	380	376	376	323	325
Goodwill and other intangibles	**2,232**	**3,492**	3,454	3,448	3,448	3,505	3,510
Total assets	**94,270**	**147,527**	128,915	120,444	120,438	121,556	121,440
Liabilities							
Due to other financial institutions	**n/a**	**n/a**	n/a	n/a	1,517	1,759	3,711
Settlement balances payable	**1,178**	**1,844**	2,296	1,428	n/a	n/a	n/a
Collateral received	**1,078**	**1,687**	800	438	n/a	n/a	n/a
Deposits and other borrowings	**57,943**	**90,678**	84,019	78,816	77,697	73,652	69,238
Due to Immediate Parent Company	**n/a**	**n/a**	n/a	n/a	939	740	174
Derivative financial instruments	**11,010**	**17,230**	10,205	10,243	10,243	13,930	15,118
Current tax liabilities	**56**	**87**	67	3	3	-	17
Deferred tax liabilities	**79**	**124**	60	-	-	-	-
Payables and other liabilities[3]	**950**	**1,487**	1,297	1,195	1,705	1,792	2,654
Provisions	**122**	**191**	204	229	229	339	309
Debt issuances	**12,399**	**19,403**	17,042	15,494	15,494	17,244	17,406
Subordinated debt	**1,497**	**2,343**	1,144	1,144	1,144	1,168	1,988
Total liabilities	**86,312**	**135,074**	117,134	108,990	108,971	110,624	110,615
Net assets	**7,958**	**12,453**	11,781	11,454	11,467	10,932	10,825
Equity							
Share capital	**5,679**	**8,888**	8,213	7,243	7,243	6,943	6,943
Reserves	**(6)**	**(10)**	(7)	24	24	138	187
Retained earnings	**2,285**	**3,575**	3,575	4,187	4,200	3,851	3,695
Total equity	**7,958**	**12,453**	11,781	11,454	11,467	10,932	10,825

(1) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

(2) From September 30, 2014, the classification of the balance sheet has been changed to reflect the nature of the financial assets and liabilities reported. Prior to the reclassification, the balance sheet was classified according to counterparty. This has resulted in changes to previously reported balance sheet classifications as at September 30, 2013. Minor changes in the overall total assets and total liabilities have also occurred due to the adoption of IAS19 *Employee Benefits*. As a result of this reclassification, available-for-sale assets, net loans and advances, other assets, deferred tax assets, deposits and other borrowings and payables and other liabilities for 2012 and 2011 are not comparable to those items for the other periods presented. Further details of the reclassification are included on page 60 of this Offering Memorandum and in Note 1 and Note 35 to the 2014 ANZ New Zealand Financial Statements (attached as Annex A).

(3) 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 are not comparable to those items for subsequent periods.

(4) 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.

Other financial data[1]

						Year ended September 30,
NZ$ millions (unless otherwise stated)	**2015 US$**	**2015**	*2014*	*2013*	*2012*	*2011*
Share information (NZ$ per fully paid share)[2]						
Dividend - declared rate	**0.42**	**0.65**	1.20	0.63	0.68	0.41
Earnings - basic	**0.40**	**0.62**	0.87	0.81	0.78	0.65
Net tangible assets - basic	**1.71**	**2.68**	3.12	4.71	4.37	4.30
Number of shares on issue (thousands)[2]						
Ordinary shares - fully paid	**3,345,105**	**3,345,105**	2,670,105	1,700,105	1,700,105	1,700,105
Preference shares[3]	**300,000**	**300,000**	300,000	300,000	-	-
Ratios[4]						
Return on average shareholders' equity (%)	**14.85**	**14.85**	14.45	12.19	11.92	10.34
Return on average total assets (%)	**1.29**	**1.29**	1.38	1.13	1.08	0.96
Ratio of earnings to fixed charges[5]	**60.43**	**60.43**	66.24	55.19	52.12	42.52
Total capital ratio (%)	**13.6**	**13.6**	12.3	12.4	12.5	12.7
Other banking data:						
Capital adequacy ratios[6]						
Tier 1 (%)	**12.7**	**12.7**	11.1	10.8	10.8	10.0
Tier 2 (%)	**0.9**	**0.9**	1.2	1.6	1.7	2.7
Total (%)	**13.6**	**13.6**	12.3	12.4	12.5	12.7
Net interest margin (%)[7,11]	**2.40**	**2.40**	2.48	2.46	2.62	2.57
Net interest spread (%)[8,11]	**1.90**	**1.90**	1.98	2.04	2.12	2.11
Cost to income ratio (%)[9]	**37.33**	**37.33**	38.90	44.00	47.23	49.37
Risk-weighted exposures (NZ$ millions)[6]	**51,543**	**80,662**	73,427	72,193	67,130	70,837
Return on average risk-weighted exposures ratio (%)[10]	**2.38**	**2.38**	2.38	1.95	1.93	1.56
Other information						
Points of representation (branches)	**225**	**225**	233	261	315	314
Number of core full-time equivalent employees[11]	**7,724**	**7,724**	7,900	7,949	8,571	8,882

(1) Source: ANZ New Zealand Financial Statements (except as otherwise noted in footnotes below)

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

(3) 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.

(4) 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.

(5) 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.

(6) 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, 2015, September 30, 2014, and 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, 2015, September 30, 2014, and September 30, 2013.

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

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

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

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

(11) 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.

(12) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

Risk Factors

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 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 emergence of many challenges for financial services institutions worldwide that still persist. Sovereign risk in Europe and its potential impact on the European Union, the euro and financial institutions in Europe and globally emerged as a significant risk to the recovery prospects of the global economy. More recently, deterioration of the Chinese economy has led to concern about global economic conditions. These conditions also adversely affect our ability to raise medium/long-term funding in the international capital markets from time to time.

Monetary easing in major economies has led to low interest rates which are encouraging investment in riskier assets, leading to a reduction in credit spreads, reduced market volatility and rising prices for both financial and real assets. High and rising asset prices could become a point of market vulnerability if and when interest rates begin to return to more normal levels. Market conditions could worsen in a disorderly fashion, affecting the cost and availability of offshore funding for ANZ New Zealand.

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 and other parts of the world 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 continue to fluctuate. Recently the rate of economic growth has slowed mainly due to the lagged impact of previous NZD strength, lower export commodity prices, slowing household income growth and the rebuilding of residential property in Christchurch reaching its expected peak. 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, commodities volatility and results, short-term and long-term interest rates, inflation, monetary supply, 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. In addition, a significant market correction could challenge financial stability given the large exposure of the banking system to the Auckland housing market.

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). Slower growth and uncertainty regarding the path of economic and financial adjustment in China have depressed global commodity prices and added to financial market uncertainty. A further or sustained slowdown in the Chinese economy or a decline in commodity prices could further depress the volume and price of New Zealand's exports, such as dairy products, with negative flow-on effects for farmers and those industries closely tied to the agricultural sector. The New Zealand dairy sector faces a second consecutive season of weak cash flow due to low international dairy commodity prices. See the section entitled "Overview – Recent Developments – Reduction in dairy payout."

In addition, movements in the New Zealand dollar in recent times illustrate the potential volatility in, and significance of global economic events to, the value of our currency relative to other currencies. Further depreciation of the New Zealand dollar relative to other currencies would increase the foreign debt service obligations in New Zealand dollar terms of unhedged exposures. In contrast, an appreciation in the New Zealand dollar relative to other currencies could negatively impact New Zealand's agricultural exports and international tourism.

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.

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. It is possible that existing companies from outside of the traditional financial services sector may seek to obtain banking licenses and directly compete with us by offering products and services traditionally provided by banks. 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 or natural disasters, 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.

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.

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

Sovereign risk is the possibility that foreign governments will default on their debt obligations, increase borrowings, be unable to refinance their debts as and when they fall due, or nationalize participants in their economy. Sovereign risk remains in many economies, including the United States and in Europe. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which are difficult to predict and may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises. Such events could destabilize global financial markets, adversely affecting all participants, including ANZ New Zealand.

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. In March 2015 and April 2015, Moody’s Investors Service and Standard & Poor’s respectively released new bank rating methodologies. This did not result in a change to credit ratings assigned to ANZ New Zealand by either Moody’s Investors Service or Standard & Poor’s, though there can be no assurance as to the future impact on our credit ratings. 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.

A decrease in property valuations in New Zealand could result in a decrease in the amount of new lending we are able to write and/or increase the losses we may experience from our existing loans, which, in either case, could materially and adversely affect our financial condition and results of operation. A significant slowdown in the New Zealand housing market could adversely affect our business, operations and financial condition.

House prices in September 2015 were 22.6% higher in the Auckland area than a year earlier, compared with an annual increase of 12.6% for all of New Zealand. A market correction could have the adverse effects described above. The RBNZ has recently announced several policy initiatives designed to curb house price inflation in Auckland. See the section entitled “Regulation and Supervision – Recent Developments.”

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, insurance and other businesses where we rely on the ability of a third party (including reinsurers) 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 previous appreciation in the New Zealand dollar relative to other currencies 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. More recently, the depreciation in the New Zealand dollar relative to other currencies will 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, which may adversely affect our business, operations and financial condition.

We are highly dependent on information systems and technology. Therefore, there is a risk that these, or the services we use or are dependent upon, might fail, including because of unauthorized access or use. Most of our daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. We are also conscious that threats to information systems and technology are continuously evolving and that cyber threats and risk of attacks are increasing. We may not be able to anticipate or implement effective measures to prevent or minimize disruptions that may be caused by all cyber threats. The exposure to systems risks includes the complete or partial failure of information technology systems or data center infrastructure, the inadequacy of internal and third party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorized access and integrate existing and future acquisitions and alliances.

To manage these risks we have disaster recovery and information technology governance in place. However, the steps we are taking in this regard may not be effective and any failure of these systems could result in business interruption, customer dissatisfaction and ultimately loss of customers, financial compensation, damage to reputation and/or a weakening of our competitive position, which could adversely impact our business and have a material adverse effect on our financial condition and operations.

In addition, we have an ongoing 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 service 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 experts which is responsible for the implementation of ANZ Group's Information Security Policy. ANZ New Zealand also uses third parties to process and manage information on its behalf, and any failure on their part could adversely affect our business. ANZ New Zealand is conscious that threats to information systems are continuously evolving and that cyber threats and risk of attacks are increasing, and as such we may be unable to develop policies and procedures to adequately address or mitigate such risks. Accordingly, information about ANZ New Zealand and/or our clients may be inadvertently accessed, inappropriately distributed or illegally accessed or stolen. ANZ New Zealand may not be able to anticipate or to implement effective measures to prevent or minimize damage that may be caused by all information security threats. Any unauthorized access of ANZ New Zealand's information systems or unauthorized use of its confidential information could potentially result in disruption of our operations, 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 2015 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".

Details regarding ANZ New Zealand's material contingent liabilities as at September 30, 2015, are contained in Note 22 to the 2015 ANZ New Zealand Financial Statements (attached as Annex A to this Offering Memorandum).

There is a risk that these contingent liabilities in Note 22 may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

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, 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, among other things, increasing required levels of bank liquidity and capital adequacy, requiring changes to systems and processes, limiting the types, amount and composition 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, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was signed into law in the United States in July 2010. The Dodd-Frank Act has many different components that affect many aspects, in the United States and internationally, of the business of banking, including securitization, proprietary trading, investing, over-the-counter ("**OTC**") derivatives and other activities. Because different components of the Dodd-Frank Act are subject to oversight and implementation by different regulatory agencies in the U.S., the actual timing of the implementation of the different components has been varied. The Commodity Futures Trading Commission (the "**CFTC**") has implemented a significant portion of its rules for the regulation of the OTC swaps market and U.S. regulators have published rules implementing the Volcker Rule, each of which affects our business. See "Supervision and Regulation – Dodd Frank".

The Credit Contracts and Consumer Finance Amendment Act 2014 ("**CCCFA 2014**") came fully into force on June 6, 2015 and introduced responsible lending principles and strengthened consumer rights in lending transactions. The Ministry of Consumer Affairs has published a responsible lending code setting out guidance for lenders on compliance with the responsible lending principles in the CCCFA 2014. Although the code is not binding on lenders, in any proceeding relating to the Credit Contracts and Consumer Finance Act 2003, evidence of compliance with the code will be treated as evidence of compliance with the binding responsible lending principles in the CCCFA 2014.

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. The RBNZ is currently consulting on potential changes to its outsourcing policy. See "Recent Developments" for further discussion.

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 III). 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.

APRA has reviewed the level of non-equity (excluding capital instruments) and contingent funding that ANZBGL can provide to us. As a consequence, by January 1, 2021, ANZBGL's non-equity exposures (i.e., exposures other than equity investments and investments in capital instruments) to us and ANZBGL's other operations in New Zealand in ordinary times, including senior funding, cannot exceed more than five percent of ANZBGL's Level 1 Tier 1 capital. Excess exposures must be reduced by at least one-fifth by the end of each calendar year over the five year reduction period and may not exceed exposures as at June 30, 2015 until ANZBGL is, and expects to remain, below the five percent limit. As at September 30, 2015, the New Zealand branch of ANZBGL held $8.01 billion of residential loans, which are considered to be non-equity exposures for purposes of the five percent limit imposed by APRA. To ensure that ANZBGL satisfies APRA's requirements, we aim to repay ANZBGL's funding of its New Zealand branch at approximately $1.6 billion per annum over the five year reduction period. In addition, APRA has stated that ANZBGL's ability to provide us with contingent funding during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to us and its other New Zealand operations, must not exceed 50 percent of ANZBGL's Level 1 Tier 1 capital. At present, only covered bonds meet APRA's criteria for acceptable contingent funding. We cannot provide any assurance that these or future APRA requirements will not have an adverse effect on our business, results of operations, liquidity, capital resources or financial condition.

ANZ New Zealand may face increased compliance costs as a result of United States tax legislation.

In March 2010, the United States enacted the Foreign Account Tax Compliance Act ("**FATCA**") that requires non-United States banks and other financial institutions to provide information on United States account holders to the United States Federal tax authority, the Internal Revenue Service ("**IRS**"). The United States has entered into an intergovernmental agreement ("**IGA**") with a number of jurisdictions (including New Zealand) that generally requires such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide such information to their non-United States local revenue authority to forward to the IRS. If this information is not provided in a manner and form meeting the applicable requirements, a non-United States institution may be subjected to penalties and a 30% withholding tax may be applied to certain amounts paid to it. While such withholding tax may currently apply to certain payments derived from sources within the United States, no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest. New Zealand has signed an IGA with the United States and has enacted legislation to implement its agreement with the United States. Local guidance in relation to the enacted legislation is still evolving. The ANZ Group (including the ANZ New Zealand Group) has invested significant time and resources in order to comply with FATCA. For more information, see "Taxes—United States federal income taxation—FATCA Withholding" below.

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, and changes to the capital adequacy requirements imposed on ANZBGL by APRA could affect our business.

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, 2015, and September 30, 2014, are set forth in note 1 to the consolidated financial statements for the year ended September 30, 2015. 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 strategic position and financial performance. 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 Group securities. The ANZ New Zealand Group's operating performance, risk profile and 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.

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 create inconsistencies in standards, controls, procedures and policies, as well as divert management attention and resources. This could adversely affect the ANZ New Zealand Group's ability to conduct its business successfully and impact 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.

ANZ New Zealand Group 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 Group 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 Group 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 Group'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 may be 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. 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 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 sector), 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 may be exposed to the risk of impairment of goodwill and other intangible assets 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, 2015, 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, 2015, the ANZ New Zealand Group carried capitalized software balances and other intangible assets of $259 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, covered bond 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, 2015, the rights to cash flows associated with housing loans and related securities with a carrying value of $7,547 million or 5.1% 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, other than covered bondholders, 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 ANZ New Zealand 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 we operate 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.

We are exposed to the risk of receiving significant regulatory fines and sanctions in the event of breaches of regulation and law relating to anti-money laundering, counter-terrorism financing, sanctions and market manipulation

Anti-money laundering, counter-terrorist financing, sanctions compliance and market manipulation have been the subject of increasing regulatory change and enforcement in recent years. The increasingly complicated environment in which we operate across the Asia Pacific region has heightened these operational and compliance risks. Furthermore, the upward trend in compliance breaches by global banks and the related fines and settlement sums means that these risks continue to be an area of focus for ANZ New Zealand.

While ANZ New Zealand believes it maintains appropriate policies, and has invested in procedures and internal controls aimed to detect, prevent and report money laundering, terrorist financing, market manipulation and sanctions breaches, the risk of non-compliance remains high given the scale and complexity of our business. A failure to operate a robust program to combat money laundering, bribery and terrorist financing or to ensure compliance with economic sanctions and market conduct norms could have serious legal and reputational consequences for ANZ New Zealand and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions.

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.

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.

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. This withholding tax generally will only apply to payments made on or after January 1, 2019, 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 the bank or broker 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 Withholding" below.

Proposals to reform LIBOR and other benchmark indices.

The London Inter-Bank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**") are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms, such as the replacement of the British Bankers' Association as LIBOR administrator with ICE Benchmark Administration Limited are already effective while others are still to be implemented. The implementation of such reforms and consequential changes to LIBOR and EURIBOR may cause them to perform differently than in the past, which could have a material adverse effect on the value of any Floating Rate Notes where the interest rate is calculated with reference to LIBOR or EURIBOR or may have other consequences that cannot be predicted. For more information, see "Description of the Notes—Additional information about LIBOR" below.

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, 2015. This information has been extracted from the ANZ New Zealand Financial Statements for the year ended September 30, 2015, 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.

	As at September 30, 2015	
	(US$ millions, except as indicated)[1]	(NZ$ millions, except as indicated)
Capitalization and Funding		
Settlement balances payable	1,178	1,844
Collateral received	1,078	1,687
Deposits and other borrowings	57,943	90,678
Derivative financial instruments	11,010	17,230
Payables and other liabilities	950	1,487
Debt issuances	12,399	19,403
Current Tax liabilities	56	87
Deferred tax liabilities	79	124
Provisions		
Credit impairment	390	611
Other	122	191
Total provisions	512	802
Subordinated debt[2]	1,497	2,343
Total equity[3]	7,958	12,453
Total Capitalization and Funding[4,5,6]	94,660	148,138
Capital Adequacy		
Tier 1 capital		
Common equity tier 1 capital		
Paid up ordinary shares issued by ANZ New Zealand	5,488	8,588
Retained earnings (net of appropriations)	2,284	3,575
Accumulated other comprehensive income and other disclosed reserves	(6)	(10)
Less deductions from common equity tier 1 capital		
Goodwill and intangible assets, net of associated deferred tax liabilities	(2,223)	(3,479)
Cash flow hedge reserve	6	10
Expected losses to the extent greater than total eligible allowances for impairment	(155)	(243)
Common equity tier 1 capital	5,394	8,441
Additional Tier 1 capital		
Preference shares	192	300
ANZ Capital Notes	960	1,503
Capital attributable to The Bonus Bonds Trust investors	24	38
Additional tier 1 capital	1,176	1,841
Total tier 1 capital	6,570	10,282
Tier 2 capital		
Qualifying tier 2 capital instruments subject to phase-out under RBNZ Basel III transition arrangements:		
NZ$835 million perpetual subordinated bond	534	835
Less deductions from tier 2 capital		
Basel III transition adjustment[2]	(85)	(133)
Total tier 2 capital	449	702
Total capital	7,019	10,984
Capital ratios (%)		
Common equity tier 1 capital	10.5%	10.5%
Tier 1 capital	12.7%	12.7%
Total capital	13.6%	13.6%
Buffer ratio	5.6%	5.6%

(1) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

(2) Certain subordinated debt issued by ANZ New Zealand is subordinated in right of payment to the claims of depositors and all creditors of that bank and qualifies as tier 2 capital under the RBNZ's Basel III transition arrangements. Fixing the base at the nominal amount of such instruments outstanding at December 31, 2012, their recognition is capped at 60% of that base from January 1, 2015; 40% from January 1, 2016; 20% from January 1, 2017; and from January 1, 2018 onwards these instruments will not be included in regulatory capital. This has resulted in the Basel III transition adjustment specified above.

(3) Total equity at September 30, 2015, comprised (NZ$ millions):

	As at September 30, 2015
Ordinary share capital	8,588
Preference share capital	300
Reserves	(10)
Retained earnings	3,575
Total equity	**12,453**

All of the ordinary share capital has been issued. The number of issued ordinary shares at September 30, 2015, was 3,345,755,498 of which 3,345,104,786 were fully paid. 650,712 shares were uncalled and unpaid.

ANZ New Zealand has 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, 2015, all funding was unsecured except for: UDC secured investments of $1,736 million, covered bonds of $5,335 million, securities sold under repurchase agreements of $47 million, cash collateral received on derivative financial instruments of $1,687 million, and derivative financial liabilities which are secured by $1,929 million of cash collateral given on derivative financial instruments.

(5) Face or contract value of contingent liabilities and guarantees outstanding as at September 30, 2015, amounted to $2,454 million.

(6) Total due to ANZBGL as at September 30, 2015, consisted of (NZ$ millions):

	As at September 30, 2015
Settlement balances payable	476
Collateral Received	688
Deposits and other borrowings	1
Derivative financial liabilities	3,240
Payables and other liabilities	17
Subordinated debt	1,014
Total due to ANZBGL	**5,436**

The following table sets out the capitalization and funding of ANZNIL as at September 30, 2015, and has been extracted from the ANZNIL Financial Statements for the year ended September 30, 2015, attached as Annex A-1 to this Offering Memorandum.

NZ$ millions (unless otherwise stated)	As at September 30, 2015	
	US$ millions[1]	
Capitalization and Funding		
Accrued interest payable	58	91
Commercial paper	3,171	4,962
Current tax liabilities	1	1
Debt issuances	10,073	15,764
Total equity[2]	3	5
Total Capitalization and Funding[3,4,5,6]	**13,306**	**20,823**

(1) Translated from NZ dollars into U.S. dollars using the noon buying rate on September 30, 2015, of NZ$1.00=US$0.6390.

(2) Total ANZNIL equity at September 30, 2015, 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, 2015, was 500,000.

(3) As at September 30, 2015, commercial paper of $4,962 million and debt issuances of $15,764 million issued by ANZNIL were guaranteed by ANZ New Zealand.

(4) As at September 30, 2015, covered bonds with a carrying value of $5,335 million included in debt issuances 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, 2015.

(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, 2015.

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

Year ended September 30,	At period end	High	Low	Period average[1]
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	0.8170
2014	0.7788	0.8814	0.7788	0.8360
2015	0.6390	0.7968	0.6244	0.7213
October 2015	0.6766	0.6854	0.6411	0.6693
November 2015	0.6574	0.6745	0.6440	0.6554
December 2015 (through December 11)	0.6727	0.6763	0.6629	0.6678

(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 4:00 P.M., Eastern Australian time.

Exchange rates of New Zealand dollars per A$1.00

Year ended September 30,	At period end	High	Low	Period average[1]
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	1.2096
2014	1.1216	1.1566	1.0548	1.0966
2015	1.0998	1.1425	1.0064	1.0789
October 2015	1.0534	1.1008	1.0534	1.0779
November 2015	1.0982	1.1049	1.0542	1.0885
December 2015 (through December 14)	1.0731	1.0990	1.0731	1.0891

(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. The financial statements 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.

Recent Developments

In late 2013, the RBNZ introduced restrictions on high LVR residential lending. As a result, New Zealand banks have been required to restrict new residential mortgage lending at LVRs of over 80% to no more than 10% of the dollar value of the bank's new residential mortgage lending. Effective from November 1, 2015, the RBNZ eased the LVR restriction on all new residential lending secured against property outside the Auckland Council area from 10% to 15%. The LVR restrictions for borrowing secured against owner-occupied property within the Auckland Council area will remain at 10% and borrowing secured against residential investment property in the Auckland Council area at LVRs of over 70% must be no more than 5%. Essentially, residential property investors in the Auckland Council area using bank loans must have a deposit with the lending bank of at least 30% of the value of the property.

The RBNZ has established a new asset class for loans to residential property investors. The changes increase the amount of capital that New Zealand banks are required to hold for residential property investment loans. The new asset class took effect with respect to new loans from November 1, 2015, and will take effect for existing loans from November 1, 2016.

The RBNZ is also continuing to work on an exercise with New Zealand's four largest banks, including ANZ New Zealand, to investigate differences in risk weights across internal bank models of housing and rural lending portfolios.

The RBNZ is undertaking a review of New Zealand-incorporated banks' capital requirements to ensure they reflect global and domestic changes in the banking system. This is in part prompted by the Australian Commonwealth Government Financial System Inquiry and recent consultations by the Basel Committee for Banking Supervision (including on a revised standardized approach, permanent capital floors within the IRB framework, and the modelling approach to operational risk). The RBNZ is deliberating on a number of matters, including risk weights for standardized banks and Internal Ratings Based ("**IRB**") banks, capital ratios and disclosure requirements. If a preliminary view is reached that changes should be considered, the RBNZ has announced that it will consult stakeholders.

The RBNZ has released a consultation paper on potential changes arising out of the review of its outsourcing policy for registered banks. This paper covers seven major topics, which include the requirement for a separation plan (loss of access to parent bank) and compendium of outsourcing arrangements, out of scope outsourced functions, a black list of functions that cannot be outsourced, transition timeframes, thresholds for application, and process for non-objections by RBNZ. As the consultation is currently at an early stage, the effect of any policy changes on us is currently unknown.

FATCA was enacted on March 18, 2010. FATCA imposes significant U.S. withholding taxes on non-U.S. financial institutions (such as ANZ New Zealand and many of its subsidiaries and affiliates) that fail to provide the IRS with information on certain accounts which are offshore to the U.S. and held by U.S. persons or, in some cases, held by non-U.S. entities with substantial U.S. owners. In the case of Australian and New Zealand institutions and branches, such information is to be furnished to the Australian Taxation Office and the Inland Revenue, respectively, which would then forward the information to the IRS pursuant to IGAs between the United States and Australia and New Zealand, respectively. The ANZ Group (including the ANZ New Zealand Group) has invested significant time and resources in order to comply with FATCA. Australia and New Zealand have enacted legislation to implement their IGAs with the United States.

Dodd-Frank

The Dodd-Frank Act affects many aspects of the business of banking, in the United States and internationally, including securitization, proprietary trading, investing, OTC derivatives and other activities. Because different components of the Dodd-Frank Act are subject to oversight and implementation by different regulatory agencies in the United States, the actual timing of the implementation of the different components has been varied.

To date, the CFTC has implemented a significant portion of its rules for the regulation of the over-the-counter swaps market, including rules concerning the registration of swap dealers, recordkeeping and reporting of swaps data, and the clearing and trading of certain interest-rate and index credit default swaps. Because ANZBGL is a registered swap dealer under the CFTC regulations, the ANZ Group is subject to these CFTC requirements as well as certain additional business conduct rules that apply to ANZ Group's swap transactions with counterparties that are U.S. persons.

ANZ Group, including ANZ New Zealand and ANZNIL, is also subject to a provision of the Dodd-Frank Act that is commonly called the "Volcker Rule", which prohibits banks and their affiliates from engaging in certain "proprietary trading" and limits banks' sponsorship of, and investment in, private equity funds and hedge funds, subject to certain exclusions and exemptions. In December 2013, U.S. regulators published final rules to implement the Volcker. The final rules are highly complex, and the regulators continue to issue "clarifications" concerning implementation of the rules. In particular, the Volcker Rule permits us and other non-U.S. banking entities to engage in activities that would otherwise be prohibited under the Volcker Rule to the extent that they are conducted solely outside the United States and certain other conditions are met. At this time, apart from investments by ANZ Group in developing and monitoring its global compliance framework to ensure and monitor compliance with the Volcker Rule's prohibitions, we do not expect the Volcker Rule to have a material effect significant impact on our business activities, though development and monitoring of required compliance programs may require the expenditure of resources and management attention.

Conditions of Registration for ANZ Bank New Zealand Limited

These conditions apply on and after November 1, 2015.

The registration of ANZ Bank New Zealand Limited as a registered bank (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;

    (e) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after January 1, 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and

    (f) the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document: "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

    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 November 2015 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 November 2015;

    an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 2.13(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015.

    a Tier 2 capital instrument is an instrument that meets the requirements of subsection 2.16(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015.

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 November 2015; 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 November 2015.

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 November 2015.

the scalar referred to in the Reserve Bank of New Zealand document "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated November 2015 is 1.06.

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 November 2015.

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 July 2014.

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 July 2014.

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 July 2014 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) dated September 2013.

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 amount in respect of APIL with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of APIL arising in the loan-to-valuation measurement period.

22. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of ANPIL with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of ANPIL arising in the loan-to-valuation measurement period.

23. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non-Auckland loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non-Auckland loans arising in the loan-to-valuation measurement period.

24. 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.

In these conditions of registration, —

"**banking group**" means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"**generally accepted accounting practice**" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 21 to 24, "ANPIL", "APIL", "loan-to-valuation ratio", "non-Auckland loan", "qualifying new mortgage lending amount in respect of...." 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 November 2015:

"**loan-to-valuation measurement period**" means

(a) the six calendar month period ending on the last day of April 2016; 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 May 2016.

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 (comprising personal and Business Banking), (2) Commercial (comprising Commercial, Agri and UDC Finance Limited (“**UDC**”), a finance company providing asset finance), (3) Wealth and (4) Institutional.

During the year ended September 30, 2015, segmental reporting was updated for the integration of the Business Banking division into the Retail division (the Business Banking division was previously reported in the Commercial division) to reflect changes in the structure of the ANZ New Zealand Group. Comparative data for the year ended September 30, 2014, has been adjusted to be consistent with the 2015 year’s segment definitions and the requirements of IFRS. Adjustments have not been made to the segment results for the year ended September 30, 2013, and, therefore, segment results for 2013 are compared to the unadjusted 2014 results so that they can be discussed on a consistent basis.

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, 2015

The ANZ New Zealand Financial Statements are prepared in accordance with the New Zealand Companies Act 1993 and the Financial Markets Conduct Act 2013. 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, 2015, and their impact on us follows.

See Note 1 to the ANZ New Zealand Financial Statements (attached as Annex A) for the Critical accounting policies under NZ IFRS as at September 30, 2015.

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 and the economic cycle.

The use of such judgments 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 judgment. These judgments are revised regularly to reduce any differences between loss estimates and actual loss experience.

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 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 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 cash flows used in this funding valuation adjustment ("**FVA**").

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. 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. 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 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 February 28, 2015, when the last valuation was prepared, a discount rate of 10.05% 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 ANZ New Zealand Group's carrying amount to exceed its recoverable amount.

As at September 30, 2015, the balance of goodwill recorded as an asset on our consolidated balance sheet as a result of acquisitions was $3,233 million ($3,233 million as at September 30, 2014).

Results of operations

Year ended September 2015 compared with year ended September 2014 (consolidated results)

On November 19, 2015, we issued our audited financial statements for the year ended September 30, 2015, 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, 2015, 2014 and 2013.

Summary Income Statement

			Year ended September 30,	
NZ$ millions (unless otherwise stated)	**2015 US$ millions**[1]	**2015**[2]	2014[2]	2013[2]
Interest income	**4,426**	**6,926**	6,272	5,957
Interest expense	**2,589**	**4,051**	3,529	3,344
Net interest income	**1,837**	**2,875**	2,743	2,613
Other operating income	**751**	**1,175**	1,085	823
Net operating income	**2,588**	**4,050**	3,828	3,436
Operating expenses	**966**	**1,512**	1,489	1,512
Profit before provision for credit impairment and income tax	**1,622**	**2,538**	2,339	1,924
Provision for credit impairment	**47**	**74**	(16)	63
Profit before income tax	**1,574**	**2,464**	2,355	1,861
Income tax expense	**435**	**681**	639	490
Profit after income tax	**1,139**	**1,783**	1,716	1,371

(1) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

(2) Source: ANZ New Zealand Group Financial Statements.

For the years ended September 30, 2015 and 2014, our results have been reported based on four segments: (1) Retail (including personal and Business Banking), (2) Commercial (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 2015 compared to 2014 increased 4%, or $67 million, to $1,783 million.

Net interest income increased 5% in 2015 from $2,743 million in 2014 to $2,875 million in 2015. The increase reflects lending volume growth partly offset by a contraction in net interest margin of 8 basis points in a competitive environment. The net interest margin decline was driven by continuing competitive pressure from local banks in the home lending and term deposit markets and a higher proportion of fixed rate home loans. Lending volumes increased 10%, mainly reflecting growth in housing lending. Customer deposits increased 11% over the 2015 year.

Other operating income increased 8% from $1,085 million in 2014 to $1,175 million in 2015. The main factors contributing to this increase include:

- Funds management and insurance income increased $28 million in 2015, driven by growth in funds under management and favorable market conditions.

- Policy Holder Liability gains driven by volatility in long term interest rates used to discount future cash flows resulting in a positive revaluation of net insurance policy assets of $46 million in 2015 compared to a positive revaluation of $24 million in 2014.

- Increases in the mark-to–market value of economic hedge derivatives. Fair value gains of $66 million were recorded in 2015, compared to fair value gains of $36 million in 2014.

- Markets income increased by $84 million in 2015, with positive contributions from both the Trading and Sales businesses.

The above factors were partly offset by an insurance settlement of $91 million in 2014 relating to ANZ New Zealand's former involvement in the ING Diversified Yield Fund and ING Regular Income Fund.

Operating expenses increased 2% from $1,489 million in 2014 to $1,512 million in 2015, driven by inflationary impacts and investment activity partly offset by productivity improvements.

Credit impairment charge increased from a $16 million release in 2014 to a $74 million charge in 2015. The individual provision charge decreased $7 million, reflecting lower levels of new and top-up provisions, partly offset by lower write-backs in Commercial. The collective provision was $97 million higher due to portfolio growth, a lower release of economic overlay provisions and reduced rate of improvement in credit quality compared to 2014.

Net interest income

The following table shows our net interest income for the years ended September 30, 2015, and 2014.

	Year ended September 30,	
NZ$ millions	**2015**	2014
Interest income	**6,926**	6,272
Interest expense	**4,051**	3,529
Net interest income	**2,875**	2,743

Net interest income totaled $2,875 million in 2015, an increase of $132 million, or 5%, over 2014. Volume growth contributed a $178 million increase and lower net interest margin contributed a $46 million decrease to net interest income. Key influences on the result are discussed below:

Movements in average margin

The overall interest spread decreased 8 basis points from 1.98% in 2014 to 1.90% in 2015, with the yield on total average interest earning assets increasing 14 basis points, and the yield paid on total average interest bearing liabilities increasing 21 basis points. Key influences on the result include the following:

- The average yield on trading securities increased 3 basis points from 4.03% in 2014 to 4.06% in 2015, mainly in the liquidity portfolio of fixed rate, non-government bonds and government bonds.

- The average yield on net loans and advances increased by 12 basis points from 6.03% in 2014 to 6.15% in 2015.

- The average yield on commercial paper, deposits and other borrowings increased 25 basis points from 3.44% in 2014 to 3.69% in 2015; and the average yield on debt issuances decreased 12 basis points from 4.89% in 2014 to 4.77% in 2015.

Movements in average volume

- Average interest earning assets increased $8,609 million, or 8%, in 2015 compared to 2014. This increase was mainly in gross loans and advances which increased by $7,855 million, or 8%, during 2015. This reflected growth in the housing lending market and growth in the Commercial division.

- Average interest bearing liabilities increased by $8,383 million during 2015.

- Average commercial paper, deposits and other borrowings increased by $5,595 million. This growth was largely in customer deposits.

- Average debt issuances and subordinated debt increased $2,402 million during 2015.

Other operating income

The following table shows our other operating income for the years ended September 30, 2015, and 2014.

NZ$ millions	Year ended September 30, 2015	2014
Net fee income	**404**	408
Funds management and insurance income	**385**	325
Net gain on foreign exchange trading	**201**	157
Net gain / (loss) on trading securities and derivatives	**61**	53
Share of associates' profit	**5**	3
Other income	**119**	139
Other operating income	**1,175**	1,085

Other operating income totaled $1,175 million in 2015, an increase of 8%, or $90 million, over 2014. Key influences on the result include the following:

- Funds management and insurance income increased $60 million, or 18%. This was driven by: higher funds management and insurance income which increased $28 million driven by growth in funds under management and favorable market conditions; and volatility in long term interest rates used to discount future cash flows resulting in a positive revaluation of net insurance policy assets of $46 million in 2015 compared to a positive revaluation of $24 million in 2014.

- The aggregate of net foreign exchange trading gains and gains on trading securities increased $52 million in 2015. This reflected contributions from both the Trading and Sales businesses in Markets, which collectively increased by $84 million, offset by a decrease of $46 million in earnings on the liquidity portfolio.

- Other income decreased $20 million primarily due to:

    - An insurance settlement of $91 million in 2014 relating to ANZ New Zealand's former involvement in the ING Diversified Yield Fund and ING Regular Income Fund.

    - Volatility in the mark-to-market of economic hedge derivatives. Fair value gains of $66 million were recorded in 2015, compared to fair value gains of $36 million in 2014.

    - The mark-to-market gain on sale of housing loans to the New Zealand Branch was $1 million in 2015, compared to a loss on sale of $23 million in 2014.

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2015, and 2014.

NZ$ millions	Year ended September 30, 2015	2014
Personnel costs	**874**	845
Premises and equipment costs	**172**	174
Other costs	**466**	470
Operating expenses	**1,512**	1,489

Operating expenses totaled $1,512 million for 2015, an increase of 2%, or $23 million, over 2014. The key influences on the result include the following:

- Personnel costs, which increased 3%, or $29 million. An increase in costs due to inflation was offset in part by productivity gains due to a reduction in full-time equivalent employees from simplifying the business.

- The aggregate of premises and equipment costs and other costs decreased 1%, or $6 million.

Provision for credit impairment

Provision for credit impairment charge totaled $74 million for 2015, an increase of $90 million compared to 2014.

- The individual provision charge was $7 million lower, with lower rates of new provisions raised partly offset by lower write-backs in Commercial.

- The collective provision was $97 million higher due to portfolio growth, a lower release of economic overlay provisions and reduced rate of improvement in credit quality compared to 2014.

Summary Balance Sheet

NZ$ millions (unless otherwise stated)	2015[1]	2015	2014	2013
	US$ millions		As at September 30,	
Assets				
Cash	**1,521**	**2,380**	1,822	2,206
Settlement balances receivable	**197**	**309**	855	514
Collateral paid	**1,233**	**1,929**	783	1,002
Trading securities	**7,757**	**12,139**	11,750	10,320
Investments backing insurance contract liabilities	**96**	**151**	190	172
Derivative financial instruments	**11,283**	**17,658**	11,404	9,518
Available-for-sale assets	**912**	**1,428**	772	942
Net loans and advances	**67,962**	**106,357**	96,299	90,837
Other assets	**473**	**740**	648	567
Insurance contract assets	**353**	**552**	470	399
Investment in associates and jointly controlled entities	**3**	**4**	88	98
Deferred tax assets	**-**	**-**	-	45
Premises and equipment	**248**	**388**	380	376
Goodwill and other intangibles	**2,231**	**3,492**	3,454	3,448
Total assets	**94,270**	**147,527**	128,915	120,444
Liabilities				
Settlement balances payable	**1,178**	**1,844**	2,296	1,428
Collateral received	**1,078**	**1,687**	800	438
Deposits and other borrowings	**57,943**	**90,678**	84,019	78,816
Derivative financial instruments	**11,010**	**17,230**	10,205	10,243
Payables and other liabilities	**950**	**1,487**	1,297	1,195
Current tax liability	**56**	**87**	67	3
Deferred tax liabilities	**79**	**124**	60	-
Provisions	**122**	**191**	204	229
Debt issuances	**12,399**	**19,403**	17,042	15,494
Subordinated debt	**1,497**	**2,343**	1,144	1,144
Total liabilities	**86,312**	**135,074**	117,134	108,990
Total equity	**7,957**	**12,453**	11,781	11,454

(1) For the convenience of the reader, the financial data for the year ended September 30, 2015, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2015, of NZ$1.00=US$0.6390.

Other Banking Data

	RBNZ Minimum	2015	2014
		As at September 30,	
Capital adequacy ratios			
Common Equity Tier 1 capital (%)	**4.5**	**10.5**	10.7
Tier 1 capital (%)	**6.0**	**12.7**	11.1
Total capital (%)	**8.0**	**13.6**	12.3
Risk-weighted exposures (NZ$ millions)[1]		**80,662**	73,427

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

Total assets increased $18,612 million, from $128,915 million at September 30, 2014, to $147,527 million at September 30, 2015. Key influences on the movement in assets include:

- Assets held for liquidity purposes comprise cash, settlement balances receivable, trading securities, and available-for-sale assets. These assets in aggregate increased $1,057 million ($16,256 million at September 30, 2015, from $15,199 million at September 30, 2014). The increase in assets held for liquidity purposes was due to additional funding at September 2015 (including capital retention).

- The balance of derivative financial instruments reflects the revaluation of these instruments to market value. The net balance of asset and liability positions decreased $771 million from a net asset of $1,199 million as at September 30, 2014, to a net asset of $428 million as at September 30, 2015. This decrease was mainly driven by a fall in the NZD/USD exchange rate between September 30, 2014 and September 30, 2015.

- Net loans and advances increased $10,058 million, or 10%, over 2015. Gross loans and advances increased $9,914 million, with $6,711 million of this being housing loans. The provision for credit impairment decreased by $55 million to $611 million at September 30, 2015, which is netted against gross loans and advances.

Total liabilities increased by $17,940 million, from $117,134 million at September 30, 2014, to $135,074 million at September 30, 2015. Key influences on the movement in liabilities include:

- Total Deposits and other borrowings increased 8%, or $6,659 million, in 2015, compared to 2014. Customer deposits increased 11%, or $8,515 million primarily due to a continuing improvement in private sector saving rates following the global financial crisis.

- Debt issuances increased $2,361 million during 2015. The increase reflects new issuances of $4,212 million, a positive exchange rate impact of $2,156 million, and maturities of $4,007 million.

Year ended September 2015 compared with year ended September 2014 (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, 2015:

			Year ended September 30,	
NZ$ millions	**2015**[1]	2014[1] Restated	2014	2013
Retail	**697**	626	399	333
Commercial	**478**	501	723	687
Wealth	**136**	181	182	80
Institutional	**331**	320	318	286
Other	**141**	88	94	(15)
Profit after income tax	**1,783**	1,716	1,716	1,371

(1) During the year ended September 30, 2015, segmental reporting was updated for the integration of the Business Banking division into the Retail division (the Business Banking division was previously reported in the Commercial division) to reflect changes in the structure of the ANZ New Zealand Group. Comparative data for the year ended September 30, 2014, has been adjusted to be consistent with the 2015 year's segment definitions and the requirements of IFRS, including reclassifying Business Banking profit after tax of $222 million from the Commercial segment to the Retail segment. Adjustments have not been made to the segment results for the year ended September 30, 2013 and, therefore, segment results for 2013 are compared to the unadjusted 2014 results so that they can be discussed on a consistent basis.

The following table shows the results of our Retail segment (comprising personal and Business Banking) for the year ended September 30, 2015:

Retail

NZ$ millions	Year ended September 30, 2015	2014
Net interest income	**1,498**	1,400
Other operating income	**406**	396
Net operating income	**1,904**	1,796
Operating expenses	**880**	871
Profit before provision for credit impairment and income tax	**1,024**	925
Provision for credit impairment	**56**	56
Profit before income tax	**968**	869
Income tax expense	**271**	243
Profit after income tax	**697**	626
Loans and advances	**57,245**	50,806
Deposits	**53,406**	46,792

The Retail business comprises personal and Business Banking.

Retail profit after income tax of $697 million for the 2015 year increased 11% compared to 2014.

- Net interest income increased 7%, driven by lending volume growth. Net interest margin contracted due to competitive pressure on margins and an unfavorable lending mix as customers switched to lower margin fixed rate products. Other operating income increased 2%, driven by increased sales of KiwiSaver and insurance products through the branch network.

- Operating costs were 1% higher due to inflationary impacts, partly offset by productivity initiatives.

- The provision for credit impairment charges of $56 million remained flat with decreases in new and top-up provisions offset by an increase in collective provision (portfolio growth and a lower eco-cycle release).

- Loans and advances increased 13%, driven by housing loans. Deposit volumes grew by 14% during the year.

Commercial

NZ$ millions	Year ended September 30, **2015**	2014
Net interest income	**904**	858
Other operating income	**17**	18
Net operating income	**921**	876
Operating expenses	**257**	252
Profit before provision for credit impairment and income tax	**664**	624
Provision for credit impairment	**-**	(72)
Profit before income tax	**664**	696
Income tax expense	**186**	195
Profit after income tax	**478**	501
Loans and advances	**39,334**	36,556
Deposits	**12,282**	10,830

The Commercial business comprises Commercial & Agri and UDC.

Commercial profit after income tax of $478 million for the 2015 year decreased 5% compared with 2014.

- Net interest income increased 5%. This reflected positive impact from lending volume growth partly offset by net interest margin contraction.
- Other operating income decreased 6%, driven by reduced fee income.
- Operating costs were $5 million higher than the 2014 financial year with productivity initiatives partially offsetting inflationary impacts.
- The provision for credit impairment increased by $72 million in 2015, reflecting lower write-backs, portfolio growth and a lower release of economic overlay provisions.
- Loans and advances increased 8%, with the main growth occurring in commercial lending. Deposit volumes increased by 13% during the year.

Wealth

NZ$ millions	Year ended September 30, **2015**	2014
Net interest income	**68**	58
Other operating income	**255**	318
Net operating income	**323**	376
Operating expenses	**144**	136
Profit before provision for credit impairment and income tax	**179**	240
Provision for credit impairment	**-**	(1)
Profit before income tax	**179**	241
Income tax expense	**43**	60
Profit after income tax	**136**	181
Loans and advances	**1,990**	1,655
Deposits	**5,707**	5,130

Wealth profit after income tax of $136 million for the 2015 year decreased 25% compared to 2014.

- Net interest income increased $10 million, driven by deposit volumes and margin improvement.
- Other operating income decreased $63 million, with the 2014 result including an insurance settlement relating to ANZ New Zealand’s former involvement in the ING Diversified Yield Fund and ING Regular

Income Fund ($91 million). Excluding this item, other operating income increased 12%, principally due to growth in the Insurance and Funds Management businesses.

- Operating costs were 6% higher due to inflationary and investment impacts, partially offset by productivity initiatives.

- The provision for credit impairment increased by $1 million.

Institutional

NZ$ millions	Year ended September 30, **2015**	2014
Net interest income	**304**	326
Other operating income	**360**	299
Net operating income	**664**	625
Operating expenses	**189**	182
Profit before provision for credit impairment and income tax	**475**	443
Provision for credit impairment	**18**	1
Profit before income tax	**457**	442
Income tax expense	**126**	122
Profit after income tax	**331**	320
Loans and advances	**7,617**	7,286
Deposits	**13,486**	13,531

Institutional profit after income tax of $331 million for the 2015 year increased 3% compared with the 2014.

- Net operating income increased 6% driven by Markets, with positive contributions from both the Sales and Trading businesses, and Transaction Banking partly offset by lower revenue in the Liquidity portfolio.

- Operating costs were 4% higher.

- The provision for credit impairment increased $17 million compared to 2014 reflecting portfolio growth and a lower release of economic overlay provisions.

Other

NZ$ millions	Year ended September 30, **2015**	2014
Profit after income tax	**141**	88

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 2015 reflected the following:

- Mark-to-market of economic hedges derivatives. Fair value gains of $66 million were recorded in 2015, compared to fair value gains of $36 million in 2014.

- Policy Holder Liability gains driven by volatility in long term interest rates used to discount future cash flows, resulting in a positive revaluation of net insurance policy assets of $46 million in 2015 compared to a positive revaluation of $24 million in 2014.

Year ended September 2014 compared with year ended September 2013 (consolidated results)

Reclassification of the balance sheet

During the year ended September 30, 2014, the classification of ANZ New Zealand's balance sheet was changed to more consistently reflect the nature of the financial assets and liabilities. Prior to this reclassification, the balance sheet was classified according to both nature and counterparty. The key changes include:

Assets

- Securities purchased under agreements to resell in less than three months previously reported in liquid assets and due from other financial institutions are now classified as cash.

- Money at call, bills receivable and remittances in transit previously reported in liquid assets are now classified as either cash, settlement balances receivable or net loans and advances depending on the nature of the asset.

- Loans to other banks previously reported in due from other financial institutions are now classified as net loans and advances.

- Collateral paid previously reported in due from other financial institutions is now classified separately.

- Issued security settlements previously reported in other assets are now classified as settlement balances receivable.

Liabilities

- Loans from other banks previously reported in due to other financial institutions are now classified as deposits and other borrowings.

- Collateral received previously reported in due to other financial institutions is now classified separately.

- Issued security settlements previously reported in other liabilities is now classified as settlement balances payable.

The following table sets forth the restatements to our historical financials:

NZ$ millions			September 30, 2013
	As reported	**Change**	**Restated**
Assets			
Liquid assets	2,496	(2,496)	-
Due from other financial institutions	1,570	(1,570)	-
Cash	-	2,206	2,206
Settlement balances receivable	-	514	514
Collateral paid	-	1,002	1,002
Available-for-sale assets	782	160	942
Net loans and advances	90,489	348	90,837
Insurance policy assets	399	-	399
Other assets	731	(164)	567
Deferred tax assets	39	6	45
All other assets	23,932	-	23,932
Total assets	120,438	6	120,444
Liabilities			
Due to other financial institutions	1,517	(1,517)	-
Settlement balances payable	-	1,428	1,428
Collateral received	-	438	438
Deposits and other borrowings	77,697	1,119	78,816
Due to immediate parent company	939	(939)	-
Payables and other liabilities	1,705	(510)	1,195
All other liabilities	27,113	-	27,113
Total liabilities	108,971	19	108,990
Equity	11,467	(13)	11,454

On November 19, 2014, we issued our audited financial statements for the year ended September 30, 2014, 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, 2014, 2013 and 2012.

Summary Income Statement

NZ$ millions (unless otherwise stated)	**2014 US$ millions**[1]	**2014**[2]	Year ended September 30, 2013[2]	2012[2]
Interest income	**4,885**	**6,272**	5,957	6,017
Interest expense	**2,748**	**3,529**	3,344	3,335
Net interest income	**2,136**	**2,743**	2,613	2,682
Other operating income	**845**	**1,085**	823	1,006
Net operating income	**2,981**	**3,828**	3,436	3,688
Operating expenses	**1,160**	**1,489**	1,512	1,742
Profit before provision for credit impairment and income tax	**1,822**	**2,339**	1,924	1,946
Provision for credit impairment	**(13)**	**(16)**	63	193
Profit before income tax	**1,834**	**2,355**	1,861	1,753
Income tax expense	**498**	**639**	490	428
Profit after income tax	**1,336**	**1,716**	1,371	1,325

(1) For the convenience of the reader, the financial data for the year ended September 30, 2014, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2014, of NZ$1.00=US$0.7788.

(2) Source: ANZ New Zealand Group Financial Statements.

For the years ended September 30, 2014 and 2013, 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 2014 increased 25%, or $345 million, to $1,716 million.

Net interest income increased 5% in the 2014 year from $2,613 million in 2013 to $2,743 million in 2014. The increase reflects strong lending volume growth partly offset by a contraction in net interest spread of 6 basis points in a competitive environment. Net interest margin increase was driven by deposit margins increasing due to a higher percentage of non-interest bearing deposits, partly offset by customers taking out lower-margin fixed rate mortgages. Lending volumes increased 6%, reflecting strong growth in mortgages. Customer deposits increased 8% over the 2014 year.

Other operating income increased 32% from $823 million in 2013 to $1,085 million in 2014. The main factors contributing to this increase include:

- An insurance settlement of $91 million in the September 2014 financial year relating to ANZ New Zealand's former involvement in the ING Diversified Yield Fund and ING Regular Income Fund.

- Funds management and insurance income increased $36 million driven by growth in funds under management and improved lapse rates in the Insurance business.

- Policy Holder Liability gains driven by volatility in long term interest rates used to discount future cash flows resulting in a positive revaluation of net insurance policy assets of $24 million in 2014 compared to a negative revaluation of $35 million in 2013.

- Volatility in the mark-to–market of economic hedge derivatives. Fair value gains of $36 million were recorded in the September 2014 financial year, compared to fair value losses of $34 million in the September 2013 financial year.

The above factors were partly offset by revenue forgone ($23 million) and gain on sale ($14 million) following divestment of the EFTPOS New Zealand business during the second half of the 2013 financial year not recurring in 2014.

Operating expenses decreased 2% from $1,512 million in 2013 to $1,489 million in 2014. The main factors in this decrease were:

- Project and restructuring costs of $22 million included in 2013 relating to the integration of the core banking system.

- Costs associated with the divestment of the EFTPOS New Zealand business in 2013 were not incurred in 2014 ($12 million).

Excluding the above items, operating expenses increased 1%, or $11 million, in 2014 compared with 2013.

The provision for credit impairment charge decreased $79 million in 2014 compared with 2013. The individual provision charge was $75 million, which was 40% lower than in 2013, reflecting a slowing in the rate of new provisions. The collective provision result improved due to a release from provision of $91 million in 2014, compared with a release of $62 million for the 2013 year. The release from the credit cycle provision in 2014 was $14 million lower than the release in 2013. Excluding this item, the collective provision release was $43 million higher than that for 2013.

Net interest income

The following table shows our net interest income for the years ended September 30, 2014 and 2013.

	Year ended September 30,	
NZ$ millions	**2014**	2013
Interest income	**6,272**	5,957
Interest expense	**3,529**	3,344
Net interest income	**2,743**	2,613

Net interest income totaled $2,743 million for 2014, an increase of $130 million, or 5%, from 2013. Volume/rate analysis of the increase in net interest income attributed a $178 million increase due to volume growth and a $48 million decrease due to lower net yields or interest spread. Key influences on the result are discussed below:

Movements in average margin

The overall interest spread decreased 6 basis points from 2.04% in 2013 to 1.98% in 2014, with the yield on total average interest earning assets increasing 6 basis points, and the yield paid on total average interest bearing liabilities increasing 12 basis points. Key influences on the result include the following:

- The yield on trading securities increased 32 basis points from 3.71% in 2013 to 4.03% in 2014, mainly in the liquidity portfolio of fixed rate, non-government bonds and government bonds.

- The average yield on net loans and advances decreased by 7 basis points from 6.11% in 2013 to 6.04% in 2014. 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 2014, as opposed to variable rate lending, also increased the proportion of fixed rate mortgages in the lending book.

- The average yield on commercial paper, deposits and other borrowings increased 5 basis points from 3.39% in 2013 to 3.44% in 2014; and the average yield on debt issuances increased 30 basis points from 4.59% in 2013 to 4.89% in 2014. This reflects the 100 basis point increase in the Official Cash Rate during the 2014 year.

Movements in average volume

- Average interest earning assets increased $4,417 million, or 4%, in 2014 compared with 2013. This increase was mainly in net loans and advances which increased by $5,078 million, or 6%, during 2014. This reflected strong growth in the mortgages market and more modest growth in the Business and Commercial markets.

- Average interest bearing liabilities increased by $1,932 million during 2014.

- Deposits and commercial paper borrowings increased by $4,872 million. This growth was largely in customer deposits. ANZ New Zealand has focused growth initiatives on current accounts bearing interest (savings accounts, online call accounts) which have lower costs compared to term deposits.

- Bonds, notes and subordinated debt decreased $1,083 million during 2014.

Other operating income

The following table shows our other operating income for the years ended September 30, 2014 and 2013.

	Year ended September 30,	
NZ$ millions	**2014**	2013
Net fee income	**408**	423
Funds management and insurance income	**325**	234
Net gain on foreign exchange trading	**157**	154
Net gain / (loss) on trading securities and derivatives	**53**	9
Share of associates' profit	**3**	7
Other income	**139**	(4)
Other operating income	**1,085**	823

Other operating income totaled $1,085 million for 2014, an increase of $262 million, or 32%, over 2013. Key influences on the result include the following:

- Net fee income decreased $15 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 increased $91 million, or 39%. This was mainly driven by volatility in long term interest rates used to discount future cash flows, which resulted in a positive revaluation of net insurance policy assets of $24 million in 2014 compared to a negative revaluation of

$35 million in 2013. Higher funds management and insurance income increased $36 million driven by growth in funds under management and improved lapse rates in the Insurance business.

- The aggregate of net foreign exchange trading gains and gains on trading securities increased $47 million in 2014. 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 increased $143 million due to:

  - Volatility in the mark-to-market of economic hedge derivatives. Fair value gains of $36 million were recorded in the September 2014 financial year, compared to fair value losses of $34 million in the September 2013 financial year.

  - An insurance settlement of $91 million in the September 2014 financial year relating to ANZ New Zealand's former involvement in the ING Diversified Yield Fund and ING Regular Income Fund.

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2014 and 2013.

	Year ended September 30,	
NZ$ millions	**2014**	2013
Personnel costs	**845**	838
Premises and equipment costs	**174**	171
Other costs	**470**	503
Operating expenses	**1,489**	1,512

Operating expenses totaled $1,489 million for 2014, a decrease of $23 million, or 2%, over 2013. Key influences on the result include the following:

- Personnel costs increased $7 million, or 1%. An increase in costs due to inflation was offset in part by productivity gains due to a reduction in full-time equivalent employees from simplifying the business.

- Premises and equipment costs increased $3 million, or 2%, reflecting the impact of increased investment.

- Other costs decreased $33 million, or 7%, compared with 2013 including $22 million for project and restructuring costs relating to the integration of the core banking system which were incurred in 2013 not recurring in 2014.

Provision for credit impairment

Provision for credit impairment release totaled $16 million for 2014, an improvement of $79 million compared with 2013.

- The individual provision charge was $50 million lower, with lower rates of new provisions raised and loss rates continuing to improve.

- The collective provision was a release from the provision of $91 million in 2014, compared with a release of $62 million for the 2013 year. This result included a release of the credit cycle provision that was $14 million less in 2014 than the release in 2013. Excluding this item, the collective provision release was $43 million more than that for 2013, reflecting the improvement in credit quality despite lending growth.

Summary Balance Sheet

NZ$ millions (unless otherwise stated)	2014 US$ millions[1]	2014	2013[3] Restated for comparability	2013	As at September 30, 2012[4] Restated for comparability
Assets					
Liquid assets	**n/a**	**n/a**	n/a	2,496	2,831
Due from other financial institutions	**n/a**	**n/a**	n/a	1,570	1,722
Cash	**1,419**	**1,822**	2,206	n/a	n/a
Settlement balances receivable	**666**	**855**	514	n/a	n/a
Collateral paid	**610**	**783**	1,002	n/a	n/a
Trading securities	**9,151**	**11,750**	10,320	10,320	12,338
Derivative financial instruments	**8,881**	**11,404**	9,518	9,518	12,753
Current tax assets	**-**	**-**	-	-	15
Available-for-sale assets	**601**	**772**	942	782	57
Net loans and advances	**74,998**	**96,299**	90,837	90,489	86,678
Investments backing insurance contract liabilities	**148**	**190**	172	172	142
Insurance policy assets[4]	**366**	**470**	399	399	408
Shares in associates and jointly controlled entities	**69**	**88**	98	98	99
Other assets	**505**	**648**	567	731	592
Deferred tax assets	**-**	**-**	45	39	93
Premises and equipment	**296**	**380**	376	376	323
Goodwill and other intangibles	**2,690**	**3,454**	3,448	3,448	3,505
Total assets	**100,399**	**128,915**	120,444	120,438	121,556
Liabilities					
Due to other financial institutions	**n/a**	**n/a**	n/a	1,517	1,759
Settlement balances payable	**1,788**	**2,296**	1,428	n/a	n/a
Collateral received	**623**	**800**	438	n/a	n/a
Deposits and other borrowings	**65,434**	**84,019**	78,816	77,697	73,652
Due to Immediate Parent Company[2]	**n/a**	**n/a**	n/a	939	740
Derivative financial instruments	**7,948**	**10,205**	10,243	10,243	13,930
Payables and other liabilities[4]	**1,010**	**1,297**	1,195	1,705	1,792
Current tax liabilities	**52**	**67**	3	3	-
Deferred tax liabilities	**46**	**60**	-	-	-
Provisions	**159**	**204**	229	229	339
Debt issuances	**13,272**	**17,042**	15,494	15,494	17,244
Loan capital	**891**	**1,144**	1,144	1,144	1,168
Total liabilities	**91,224**	**117,134**	108,990	108,971	110,624
Total equity	**9,175**	**11,781**	11,454	11,467	10,932

(1) For the convenience of the reader, the financial data for the year ended September 30, 2014, has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2014, of NZ$1.00=US$0.7788.

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

(3) From September 30, 2014, the classification of the balance sheet has changed to reflect the nature of the financial assets and financial liabilities reported. Prior to the reclassification the balance sheet was classified according to counterparty. This has resulted in changes to previously reported balance sheet classifications for September 30, 2013. Further details of the restated amounts are included on page 60 of this Offering Memorandum and in Note 1 and Note 35 to the 2014 ANZ New Zealand Financial Statements (attached as Annex A).

(4) Collateral paid and received as at September 30, 2012, which had previously been netted against derivative financial instruments, was reclassified to amounts due to and from other financial institutions to ensure consistency with the non-restated 2013 presentation. As a result, as at September 30, 2012, $107 million was added to both assets and liabilities.

Other Banking Data

	RBNZ Minimum	As at September 30, 2014	2013
Capital adequacy ratios			
Common Equity Tier 1 capital (%)	**4.5**	**10.7**	10.4
Tier 1 capital (%)	**6.0**	**11.1**	10.8
Total capital (%)	**8.0**	**12.3**	12.4
Risk-weighted exposures (NZ$ millions)[1]		**73,427**	72,193

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

Total assets increased $8,471 million, from $120,444 million at September 30, 2013, to $128,915 million at September 30, 2014. Key influences on the movement in assets include:

- Assets held for liquidity purposes comprise cash, settlement balances receivable, trading securities, and available-for-sale assets. These assets in aggregate increased $1,217 million ($15,199 million at September 30, 2014, from $13,982 million at September 30, 2013). The increase in assets held for liquidity purposes was due to unsettled bond trades as at September 30, 2014.

- The balance of derivative financial instruments reflects the revaluation of these instruments to market value. The net balance of asset and liability positions increased $1,924 million from a net liability of $725 million as at September 30, 2013, to a net asset of $1,199 million as at September 30, 2014. This increase reflected net revaluations of NZD/USD foreign exchange contracts, driven by a weakening in the NZD during the second half of 2014.

- Net loans and advances increased $5,462 million, or 6%, at September 30, 2014 compared to September 30, 2013. Gross loans and advances increased $5,212 million, with $3,196 million of this being in term housing loans. The provision for credit impairment decreased by $160 million to $666 million at September 30, 2014, which is netted against gross loans and advances.

Total liabilities increased by $8,144 million, from $108,990 million at September 30, 2013, to $117,134 million at September 30, 2014. Key influences on the movement in liabilities include:

- Deposits and other borrowings increased $5,203 million, or 7%, at September 30, 2014, compared to September 30, 2013. Customer deposits increased $5,788 million, or 8%.

- Debt issuances increased $1,548 million during the year. The increase reflects new issuances of $4,431 million, a positive FX impact of $775 million, and maturities of $3,684 million.

Year ended September 2014 compared with year ended September 2013 (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, 2014:

NZ$ millions	Year ended September 30, 2014	2013
Retail	**399**	333
Commercial	**723**	687
Wealth	**182**	80
Institutional	**318**	286
Other	**94**	(15)
Profit after income tax	**1,716**	1,371

Retail

NZ$ millions	Year ended September 30, 2014	2013
Net interest income	**895**	839
Other operating income	**317**	319
Net operating income	**1,212**	1,158
Operating expenses	**632**	639
Profit before provision for credit impairment and income tax	**580**	519
Provision for credit impairment	**25**	55
Profit before income tax	**555**	464
Income tax expense	**156**	131
Profit after income tax	**399**	333
Loans and advances	**29,579**	28,631
Deposits	**34,695**	32,077

Retail profit after income tax of $399 million for the 2014 year increased 20% compared to 2013.

- Net interest income increased 7%, driven by lending volume growth and net interest margin improvement. Net interest margin uplift was driven by an improved deposit funding ratio and deposit margin improvement. This has more than offset competitive pressure on the lending side and an unfavorable lending mix as customers switch to lower margin fixed rate products. Other operating income decreased 1%, mainly from a lower commission rate on the sale of insurance products.

- Operating costs were 1% lower. This was driven primarily by productivity gains from simplifying the business.

- The provision for credit impairment charges decreased $30 million, reflecting lower levels of new provisions.

- Loans and advances increased 3%, driven by term housing loans. Deposit volumes grew by 8% during the year.

Commercial

NZ$ millions	Year ended September 30, 2014	2013
Net interest income	**1,355**	1,300
Other operating income	**95**	127
Net operating income	**1,450**	1,427
Operating expenses	**488**	489
Profit before provision for credit impairment and income tax	**962**	938
Provision for credit impairment	**(41)**	(11)
Profit before income tax	**1,003**	949
Income tax expense	**280**	262
Profit after income tax	**723**	687
Loans and advances	**57,781**	53,728
Deposits	**22,926**	20,167

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

Commercial profit after income tax of $723 million for the 2014 year increased 5% compared with 2013.

- Net interest income increased 4%. This reflected positive impact from lending volume growth partly offset by net interest margin contraction across both the Commercial & Agri and Business Banking portfolios.

- Other operating income decreased 25%, reflecting the divestment of the EFTPOS New Zealand business during the second half of the 2013 financial year.

- Operating costs were $1 million lower than the 2013 financial year. This was driven primarily by productivity gains from simplifying the business.

- The provision for credit impairment reduced by $30 million in 2014, reflecting lower levels of new provisions. Loans and advances increased 8%, with the main growth occurring in Business Banking housing loans and commercial lending. Deposit volumes increased by 14% during the year.

Wealth

NZ$ millions	Year ended September 30, 2014	2013
Net interest income	**59**	37
Other operating income	**318**	195
Net operating income	**377**	232
Operating expenses	**137**	139
Profit before provision for credit impairment and income tax	**240**	93
Provision for credit impairment	**(1)**	(1)
Profit before income tax	**241**	94
Income tax expense	**59**	14
Profit after income tax	**182**	80
Loans and advances	**1,655**	1,456
Deposits	**5,130**	4,687

Wealth profit after income tax of $182 million for the 2014 year increased 128% compared to 2013.

- Net interest income increased $22 million, driven by improved deposit margins. Other operating income increased $123 million. The result includes an insurance settlement in March 2014 relating to ANZ New Zealand's former involvement in the ING Diversified Yield Fund and ING Regular Income

Fund ($91 million). Excluding this item, other operating income increased 16%, or $32 million, from growth in the Insurance and Funds Management businesses.

- Operating costs were 1% lower, reflecting productivity gains.
- The provision for credit impairment release of $1 million is the same as the 2013 level.

Institutional

NZ$ millions	Year ended September 30, 2014	2013
Net interest income	**325**	357
Other operating income	**298**	251
Net operating income	**623**	608
Operating expenses	**182**	196
Profit before provision for credit impairment and income tax	**441**	412
Provision for credit impairment	**1**	20
Profit before income tax	**440**	392
Income tax expense	**122**	106
Profit after income tax	**318**	286
Loans and advances	**7,286**	7,022
Deposits	**13,531**	13,564

Institutional profit after income tax of $318 million for the 2014 year increased 11% compared with the 2013 year.

- Net operating income increased 2% driven by Core Markets, with positive contributions from the Sales and Trading businesses and Transaction Banking partly offset by lower revenue in Global Loans.
- Costs were well managed, with total operating expenses 7% lower than 2013.
- The provision for credit impairment decreased $19 million compared with 2013.

Other

NZ$ millions	Year ended September 30, 2014	2013
Profit after income tax	**94**	(15)

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 su3bordinated 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 2014 reflected the following:

- Mark-to-market of economic hedges derivatives. Fair value gains of $36 million were recorded in 2014, compared to fair value losses of $34 million in 2013.
- Project costs incurred in relation to the move to a single banking technology platform in 2013 of $22 million.
- Policy Holder Liability gains driven by volatility in long term interest rates used to discount future cash flows, resulting in a positive revaluation of net insurance policy assets of $24 million in 2014 compared to a negative revaluation of $35 million in 2013.

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 monthly averages. 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 "Net loans and advances".

									Year ended September 30,
			2015			2014			2013
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	**12,012**	**488**	**4.06**	11,756	474	4.03	11,255	418	3.71
Net loans and advances	**102,026**	**6,277**	**6.15**	94,171	5,677	6.03	88,854	5,426	6.11
Other interest earning financial assets	**5,607**	**161**	**2.87**	5,109	121	2.37	6,270	113	1.80
Total interest earning financial assets	**119,645**	**6,926**	**5.79**	111,036	6,272	5.65	106,380	5,957	5.60
Non-interest earning assets									
Provision for impairment	**(643)**	**-**	**-**	(737)	-	-	(963)	-	-
Property, plant and equipment	**378**	**-**	**-**	375	-	-	336	-	-
Other assets	**18,965**	**-**	**-**	13,948	-	-	16,092	-	-
Total non-interest earning assets	**18,700**	**-**	**-**	13,586	-	-	15,465	-	-
Total assets	**138,345**	**6,926**	**-**	124,622	6,272	-	121,845	5,957	-
Liabilities									
Interest bearing liabilities									
Commercial paper, deposits and other borrowings	**82,783**	**3,052**	**3.69**	77,188	2,654	3.44	72,316	2,454	3.39
Debt issuances	**17,937**	**855**	**4.77**	16,182	791	4.89	17,216	791	4.59
Subordinated debt	**1,784**	**112**	**6.28**	1,137	57	5.01	1,186	79	6.66
Other interest bearing financial liabilities	**1,732**	**32**	**1.85**	1,346	27	2.00	3,203	20	0.62
Total interest bearing liabilities	**104,236**	**4,051**	**3.89**	95,853	3,529	3.68	93,921	3,344	3.56
Non-interest bearing liabilities									
Other liabilities	**22,103**	**-**	**-**	16,891	-	-	16,691	-	-
Total non-interest bearing liabilities	**22,103**	**-**	**-**	16,891	-	-	16,691	-	-
Total liabilities	**126,339**	**4,051**	**-**	112,744	3,529	-	110,612	3,344	-
Net assets	**12,006**	**2,875**	**-**	11,878	2,743	-	11,233	2,613	-

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, 2015, compared with the year ended September 30, 2014, and for the year ended September 30, 2014, compared with the year ended September 30, 2013. 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,
			2015 v. 2014			2014 v. 2013
			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	10	**4**	**14**	19	37	56
Gross loans and advances	474	**126**	**600**	338	(87)	251
Other interest earning financial assets	12	**28**	**40**	(24)	32	8
Change in interest income	496	**158**	**654**	333	(18)	315
Interest bearing liabilities						
Commercial paper, deposits and other borrowings	192	**206**	**398**	209	(9)	200
Debt issuances	86	**(22)**	**64**	(47)	47	-
Subordinated debt	32	**23**	**55**	(3)	(19)	(22)
Other interest bearing financial liabilities	8	**(3)**	**5**	(20)	27	7
Change in interest expense	318	**204**	**522**	139	46	185
Change in net interest income	178	**(46)**	**132**	178	(48)	130

Liquidity and funding

General

We are required to meet RBNZ liquidity requirements as defined in the Conditions of Registration sections 13 and 14. For further discussion of these requirements, see "Regulation and Supervision—Conditions of Registration: ANZ Bank New Zealand Limited". Also, as a material subsidiary of ANZBGL, we are required to meet the Basel III liquidity coverage ratio as specified by APRA. The objective of the liquidity coverage ratio is to ensure that an "authorized deposit-taking institution" ("**ADI**") maintains an adequate level of unencumbered high quality liquid assets that can be readily converted into cash to meet its liquidity needs for a 30 calendar day time period under a severe stress scenario. We strictly observe our prudential obligations in relation to liquidity and funding risk as required by RBNZ's Conditions of Registration and APRA.

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, 2015, ANZ New Zealand held $7,195 million of bonds which could be used for repurchase transactions with the RBNZ generating $6,046 million of funding;
- ANZBGL established a New Zealand branch which was registered on January 5, 2009. The ANZ New Zealand Board approved the sale, from time-to-time, into the New Zealand branch of ANZBGL of up to $15 billion of residential loans and mortgages. As at September 30, 2015, ANZBGL New Zealand branch held approximately $8.0 billion of residential loans. As a result of changes in APRA's prudential requirements, we aim to repay this funding over the next five years. For further discussion, see the section entitled "Australia and New Zealand Banking Group Limited — Restrictions on ANZBGL's ability to provide material financial support";
- 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. Currently, ANZNIL has on issue covered bonds with a face value of €2,750 million and CHF300 million. As at September 30, 2015, the ANZNZ Covered Bond Trust Limited held approximately $7.5 billion of loans.

The following table sets forth an analysis of our contractual cash obligations in respect to subordinated debt and debt issuances as at September 30, 2015. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows and operating lease cash flows. As a result the amounts in the tables differ from those represented in the balance sheet.

			As at September 30, 2015	
NZ$ millions	**Due within 1 year**	**Due between 1 and 5 years**	**Due beyond 5 years**	**Total**
Subordinated debt and debt issuances	5,468	14,188	3,467	23,123
Lease rental commitments	47	258	197	502
Total contractual cash obligations	**5,515**	**14,446**	**3,664**	**23,625**

Our current borrowing programs as at September 30, 2015, 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$76	ANZNIL[1]	Offshore non US-based	English
U.S. Commercial Paper Program - short term	US$10,000	US$3,085	ANZNIL[1]	Offshore US-based	New York
Domestic Term Note Program	NZ$5,000	NZ$3,525	ANZ New Zealand	On shore	New Zealand
Euro Medium-Term Note Program	US$10,000	US$2,291	ANZ New Zealand and ANZNIL[1]	Offshore non US-based	English
U.S. Medium-Term Note Program	US$10,000	US$4,350	ANZ New Zealand and ANZNIL[1]	Offshore US-based	New York
ANZNZ Covered Bond Program	€ 5,000	€3,024	ANZ New Zealand and ANZNIL[1,2]	Offshore	English
Domestic Registered Certificate of Deposits Program	Unlimited	NZ$745	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. Currently, ANZNIL has on issue covered bonds with a face value of €2,750 million and CHF 300 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, 2015, we had on issue $21,746 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 December 18, 2015, 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 $8,524 million as at September 30, 2015, 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, 2015, the New Zealand branch of ANZBGL held approximately $8.0 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			**2015**			2014			2013
									As at September 30,
	Face or Contract Value	**Fair Value Gain**	**Fair Value Loss**	Face or Contract Value	Fair Value Gain	Fair Value Loss	Face or Contract Value	Fair Value Gain	Fair Value Loss
Derivatives held for trading									
Foreign exchange derivatives									
Spot and forward contracts	**76,319**	**1,625**	**1,339**	64,229	1,464	1,234	54,152	568	987
Swap agreements	**123,744**	**2,886**	**3,559**	146,852	5,368	4,950	132,066	3,189	4,113
Options purchased	**1,870**	**79**	**3**	2,528	47	1	2,982	52	-
Options sold	**1,820**	**2**	**46**	2,381	1	36	2,973	1	70
Commodity derivatives	**235**	**29**	**29**	346	22	21	366	32	32
Interest rate derivatives									
Forward rate agreements	**24,743**	**2**	**12**	9,514	2	1	15,877	-	2
Swap agreements	**1,140,894**	**12,421**	**11,479**	694,051	4,180	3,782	530,909	5,441	4,888
Futures contracts	**45,407**	**12**	**19**	17,930	2	5	24,857	2	6
Options purchased	**1,218**	**5**	**-**	1,607	2	-	1,098	4	-
Options sold	**827**	**1**	**2**	840	1	3	1,010	-	5
Total derivatives held for trading	**1,417,077**	**17,062**	**16,488**	940,278	11,089	10,033	766,290	9,289	10,103
Derivatives in hedging relationships									
(a) Designated as cash flow hedges									
Interest rate swap agreements	**21,715**	**366**	**367**	18,866	96	108	15,240	90	99
(b) Designated as fair value hedges									
Foreign exchange swap agreements	**-**	**-**	**-**	17	-	-	55	2	-
Interest rate swap agreements	**30,230**	**230**	**375**	20,044	219	64	17,056	137	41
Total derivatives held for hedging	**51,945**	**596**	**742**	38,927	315	172	32,351	229	140
Total derivatives	**1,469,022**	**17,658**	**17,230**	979,205	11,404	10,205	798,641	9,518	10,243

Collateral of $1,687 million was received as at September 30, 2015, in relation to derivative financial instruments (September 30, 2014: $800 million; September 30, 2013: $438 million).

Collateral of $1,929 million was paid as at September 30, 2015, in relation to derivative financial instruments (September 30, 2014: $783 million; September 30, 2013: $1,002 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 face or contract values and credit equivalent amount for our off-balance sheet financial instruments are as follows:

NZ$ millions	**2015** Face or Contract Value	2014 Face or Contract Value	2013 Face or Contract Value
	As at September 30,		
Contingent liabilities			
Financial guarantees	**920**	925	997
Standby letters of credit	**82**	79	32
Transaction related contingent items	**1,385**	1,321	1,059
Trade related contingent liabilities	**67**	111	113
Contracts for outstanding capital expenditure			
Commitments with certain drawdown due within one year	**12**	15	24
Credit related commitments			
Commitments with certain drawdown due within one year	**1,130**	764	817
Commitments to provide financial services	**31,291**	27,378	24,446

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, 2015, and September 30, 2014. 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	As at September 30, 2015	2014
Common equity tier 1 capital (%)	**4.5**	**10.5**	10.7
Tier 1 capital (%)	**6.0**	**12.7**	11.1
Total capital (%)	**8.0**	**13.6**	12.3
Buffer ratio (%)	**2.5**	**5.6**	4.3
Capital of ANZ New Zealand			
Tier 1 capital			
Common equity tier 1 capital			
Paid up ordinary shares issued by ANZ New Zealand		**8,588**	7,913
Retained earnings (net of appropriations)		**3,575**	3,575
Accumulated other comprehensive income and other disclosed reserves		**(10)**	(7)
Less deductions from common equity tier 1 capital			
Goodwill and intangible assets, net of associated deferred tax liabilities		**(3,479)**	(3,441)
Cash flow hedge reserve		**10**	7
Expected losses to extent greater than total eligible allowances for impairment		**(243)**	(221)
Common equity tier 1 capital		**8,441**	7,826
Additional tier 1 capital			
Preference shares		**300**	300
ANZ Capital Notes		**1,503**	-
Capital attributable to the Bonus Bonds Trust investors		**38**	-
Additional tier 1 capital		**1,841**	300
Total tier 1 capital		**10,282**	8,126
Tier 2 capital			
Qualifying amounts of tier 2 capital instruments subject to phase-out under RBNZ			
NZ$835,000,000 perpetual subordinated bond		**835**	835
AUD 265,740,000 perpetual subordinated loan		**-**	298
Less deductions for tier 2 capital			
Basel III transition adjustment		**(133)**	(197)
Total tier 2 capital		**702**	936
Total capital		**10,984**	9,062

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, on January 1, 2013. From January 1, 2014, the RBNZ has also required most 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 (effective 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.

From January 1, 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 January 1, 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 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, 2015, was 10.5%. 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 12.7% as at September 30, 2015, and 11.1% as at September 30, 2014. The total capital adequacy ratio was 13.6% as at September 30, 2015, an increase from 12.3% as at September 30, 2014.

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. ANZ New Zealand uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk in accordance with BS2B. 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. 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 ANZ New Zealand's exposure to specified risk scenarios;
- Assesses the scope and quality of ANZ New Zealand'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, 2015, was $479 million ($485 million as at September 30, 2014), including business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk, and capitalized originated fees risk.

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.

Risk Weighted Assets

Total required capital as at September 30, 2015 (Basel III)

NZ$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
Exposures subject to internal ratings based approach	147,803	57,638	4,611
Specialized lending exposures subject to slotting approach	10,071	9,312	745
Exposures subject to standardized approach	2,178	361	29
Equity exposures	6	27	2
Other exposures	3,494	1,540	123
Total credit risk	163,552	68,878	5,510
Operational risk	n/a	5,649	452
Market risk	n/a	6,135	490
Total capital requirement	163,552	80,662	6,452

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

Capital Ratios

(%)	2015 Basel III	2014 Basel III	2013 Basel III
		As at September 30,	
Common equity Tier 1 capital	**10.5**	10.7	10.4
Tier 1 Capital	**12.7**	11.1	10.8
Tier 2 Capital	**0.9**	1.2	1.6
Total Capital[1]	**13.6**	12.3	12.4

(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 modelling, 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 ANZ New Zealand 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 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 ANZ New Zealand. 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 and efficient 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 internal controls established by ANZ New Zealand's first (business) and second (ANZ Group's risk and finance functions) lines of defense. This shall include:

- Managing and monitoring all major and extreme residual risks to ANZ New Zealand;

- Enabling compliance with Board policies and management directives;

- Assessing the adequacy of ANZ New Zealand's compliance with the requirements of supervisory regulatory authorities;
- Representation in tripartite meetings with regulators, ANZ Group management and the external auditors;
- Supporting the economic and efficient management of resources; and
- Enhancing the effectiveness of operations undertaken by ANZ New Zealand.

In planning the audit activities, Global Internal Audit adopts a risk-based audit 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. For additional information concerning our financial results for the year ended September 30, 2015, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Memorandum and the Disclosure Statements.

Assets and liabilities

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

	As at September 30,		
NZ$ millions	**2015**	2014	2013
Assets			
Cash	**2,380**	1,822	2,206
Settlement balances receivable	**309**	855	514
Collateral paid	**1,929**	783	1,002
Trading securities	**12,139**	11,750	10,320
Investments backing insurance contract liabilities	**151**	190	172
Derivative financial instruments	**17,658**	11,404	9,518
Available-for-sale assets	**1,428**	772	942
Net loans and advances	**106,357**	96,299	90,837
Other assets	**740**	648	567
Insurance contract assets	**552**	470	399
Investments in subsidiaries and associates	**4**	88	98
Deferred tax assets	**-**	-	45
Premises and equipment	**388**	380	376
Goodwill and other intangibles	**3,492**	3,454	3,448
Total assets	**147,527**	128,915	120,444
Liabilities			
Settlement balances payable	**1,844**	2,296	1,428
Collateral received	**1,687**	800	438
Deposits and other borrowings	**90,678**	84,019	78,816
Derivative financial instruments	**17,230**	10,205	10,243
Current tax liabilities	**87**	67	3
Deferred tax liabilities	**124**	60	-
Payables and other liabilities	**1,487**	1,297	1,195
Provisions	**191**	204	229
Debt issuances	**19,403**	17,042	15,494
Subordinated debt	**2,343**	1,144	1,144
Total liabilities	**135,074**	117,134	108,990
Net assets	**12,453**	11,781	11,454

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, 2015
NZ$ millions	**Total lending**	**Impaired assets**	**Specific provision**	**Write-offs**	**Recoveries**	**Net write-off**
Agriculture, forestry, fishing & mining	19,314	158	46	20	1	19
Business & property services	10,816	35	21	10	1	9
Construction	1,342	7	4	9	1	8
Entertainment, leisure & tourism	1,067	19	5	4	-	4
Financial & insurance	1,245	1	1	1	-	1
Government & local authority	1,156	-	-	-	-	-
Manufacturing	3,470	25	13	4	-	4
Retail trade	2,008	7	5	2	-	2
Wholesale trade	1,468	8	5	1	-	1
Transport & storage	1,638	13	7	13	1	12
Personal	61,374	103	40	80	23	57
Other	1,970	6	7	8	2	6
Total lending	106,868	382	154	152	29	123

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 2012 to September 2015.

												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	Oct	Nov	Dec
PLA issued	48	34	49	50	55	84	59	46	50	75	66	22
Mortgagee sales concluded	14	11	14	16	16	13	12	19	18	15	18	16

												2014
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PLA issued	48	59	55	43	33	41	45	47	54	28	44	9
Mortgagee sales concluded	12	17	13	13	19	8	17	14	20	6	9	17

												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep			
PLA issued	60	43	51	36	32	39	21	25	40			
Mortgagee sales concluded	10	6	7	13	7	8	9	6	9			

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 modelling 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, 2015, is shown in the following table:

							As at September 30, 2015
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**
Financial assets							
Cash	2,380	2,185	-	-	-	-	195
Settlement balances receivables	309	141	-	-	-	-	168
Collateral paid	1,929	1,929	-	-	-	-	-
	12,139	1,280	731	789	863	8,476	-
Trading securities							
Derivative financial instruments	17,658	-	-	-	-	-	17,658
Available-for-sale assets	1,428	1,178	-	-	-	248	2
Net loans and advances	106,357	57,459	6,373	15,238	19,900	7,844	(457)
Other financial assets	757	-	113	33	-	5	606
Total financial assets	142,957	64,172	7,217	16,060	20,763	16,573	18,172
Liabilities							
Settlement balances payable	1,844	871	-	-	-	-	973
Collateral received	1,687	1,687	-	-	-	-	-
Deposits and other borrowings	90,678	61,191	9,586	9,507	2,103	1,575	6,716
Derivative financial instruments	17,230	-	-	-	-	-	17,230
Debt issuances	19,403	6,001	1,587	-	2,498	9,317	-
Subordinated debt	2,343	-	1,014	-	-	1,329	-
Payables and other financial liabilities	962	101	-	-	6	256	599
Total financial liabilities	134,147	69,851	12,187	9,507	4,607	12,477	25,518
Hedging instruments	-	34,623	(20,949)	(1,214)	(11,354)	(1,106)	-
Interest sensitivity gap	8,810	28,944	(25,919)	5,339	4,802	2,990	(7,346)

General banking statistics

The following table provides ratio information relating to our business:

					As at September 30,
	2015	2014	2013	2012	2011
(%, unless otherwise stated)					
Cost to income ratio[1]	**37.33**	38.90	44.00	47.23	49.37
Cost to average total banking assets ratio[2]	**1.09**	1.19	1.24	1.42	1.47
Capital adequacy ratio[3]	**13.60**	12.30	12.41	12.48	12.74
Risk-weighted exposures (NZ$ millions)[4]	**80,662**	73,427	72,193	67,130	70,837
Return on average risk-weighted exposures[5]	**2.38**	2.38	1.95	1.93	1.56
Net interest margin[6]	**2.40**	2.48	2.46	2.62	2.57
Net interest spread[7]	**1.90**	1.98	2.04	2.12	2.11
Non-interest income as a percentage of assets[8]	**0.85**	0.87	0.68	0.82	0.75
Non-interest income as a percentage of total income[9]	**29.01**	28.34	23.95	27.28	25.07

(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, 2015, September 30, 2014 and 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.

					As at September 30,
NZ$ millions	**2015**	2014[1]	2013	2012	2011
Overdrafts	**1,638**	1,744	1,841	1,881	1,847
Credit card outstandings	**1,688**	1,580	1,458	1,395	1,367
Term loans - Housing	**59,428**	52,717	49,521	46,123	43,636
Term loans - Non-housing	**42,880**	39,622	37,673	37,749	37,398
Lease receivables	**946**	277	351	n/a	n/a
Hire purchase	**236**	837	721	n/a	n/a
Other	**-**	125	125	n/a	n/a
Finance lease receivables	**n/a**	n/a	n/a	806	768
Gross loans and advances	**106,816**	96,902	91,690	87,954	85,016
Provision for impairment	**(611)**	(666)	(826)	(1,054)	(1,156)
Unearned finance income	**(214)**	(212)	(214)	(258)	(256)
Capitalized brokerage / mortgage origination fees	**314**	208	156	98	35
Customer liability for acceptances	**52**	67	31	n/a	n/a
Deferred fee revenue and expenses	**n/a**	n/a	n/a	(60)	(51)
Fair value hedge adjustment	**n/a**	n/a	n/a	(2)	22
Total net loans and advances	**106,357**	96,299	90,837	86,678	83,610

(1) For each year beginning September 30, 2013, in the table above, the classification of the balance sheet has been changed to reflect the nature of the financial assets and liabilities reported. Prior to the reclassification, the balance sheet was classified according to counterparty. As a result of this reclassification net loans and advances for 2012 and 2011 are not comparable for other periods presented. Further details of the restated amounts are included on page 60 of this Offering Memorandum and in Note 1 and Note 35 to the 2014 ANZ New Zealand Financial Statements (attached as Annex A).

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:

			Year ended September 30,
NZ$ millions (unless otherwise stated)	**2015**	2014	2013
Average interest earning assets	**119,645**	111,036	106,380
Net interest income	**2,875**	2,743	2,613
Gross earning rate (%)[1]	**5.79**	5.66	5.60
Net interest margin (%)[2]	**2.40**	2.48	2.46
Net interest spread (%)[3]	**1.90**	1.98	2.04

(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, 2015	
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	35,967	36,157	37	56	21,636	1,730
Sovereign	10,636	10,603	5	1	107	8
Bank	6,881	5,406	63	24	1,358	109
Retail mortgages	57,245	57,476	20	24	14,531	1,163
Other retail	4,971	5,075	76	97	5,220	418
Total on-balance sheet exposures	115,700	114,717	29	35	42,852	3,428
Off-balance sheet exposures						
Corporate	12,078	9,967	51	50	5,234	419
Sovereign	130	75	5	1	1	-
Bank	1,433	1,150	48	16	192	15
Retail mortgages	7,934	8,304	18	17	1,476	118
Other retail	5,717	5,520	79	56	3,261	261
Total off-balance sheet exposures	27,292	25,016	46	38	10,164	813
Market related contracts						
Corporate	133,997	2,564	60	81	2,208	177
Sovereign	11,742	853	5	29	259	21
Bank	825,952	4,653	63	44	2,155	172
Total market related contracts	971,691	8,070	56	54	4,622	370
Total credit risk exposures subject to the internal ratings based approach	1,114,683	147,803	33	37	57,638	4,611

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

Impaired assets

The following table sets forth details of our impaired assets for the periods indicated:

NZ$ millions (unless otherwise stated)				As at September 30,	
	2015	2014	2013	2012	2011
Gross balances of impaired assets					
with individual provisions set aside	**368**	593	887	1,203	1,706
without individual provisions set aside	**14**	41	14	163	20
Gross impaired assets	**382**	634	901	1,366	1,726
Individual provision for credit impairment	**154**	215	284	450	494
Net impaired assets	**228**	419	617	916	1,232
Details of size of gross impaired assets					
Less than one million	**137**	214	243	400	547
Greater than one million but less than ten million	**114**	195	350	486	517
Greater than ten million	**131**	225	308	480	662
Gross impaired assets	**382**	634	901	1,366	1,726
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	**197**	150	208	210	288
Interest income forgone on impaired assets during the period					
Net interest charged but not recognized in the income statement	**28**	43	66	60	67
Net interest charged and recognized in the income statement	**18**	24	28	51	76
Analysis of movements in impaired assets					
Balance at the beginning of the period	**634**	901	1,366	1,726	2,004
Recognition of new impaired assets and increases in previously recognized impaired assets	**370**	615	810	967	1,449
Impaired assets written off during the period	**(152)**	(176)	(286)	(269)	(366)
Impaired assets which have been realized or restated as performing assets and impaired assets where the value of the security held has been realized	**(470)**	(706)	(989)	(1,058)	(1,361)
Balance at the end of the period	**382**	634	901	1,366	1,726
Gross impaired assets as a percentage of gross loans and advances (%)	**0.36**	0.65	0.98	1.55	2.03
Gross impaired assets and 90 days past due assets as a percentage of gross loans and advances (%)	**0.54**	0.81	1.21	1.79	2.37

Impaired Assets

Impaired assets have reduced by 40% from $634 million at September 30, 2014, to $382 million at September 30, 2015. 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 in the year to September 30, 2015, were $152 million.

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 60% 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 this security 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 for the year increased $90 million from a release (credit) of $16 million at September 30, 2014, to a charge of $74 million at September 30, 2015. The individual provision charge decreased by $7 million from $75 million at September 30, 2014, to $68 million at September 30, 2015, as a result of lower new and increased provision charges offset by a lower level of write-backs. The collective provision charge increased by $97 million from $91 million (credit) at September 30, 2014, to $6 million (debit) at September 30, 2015, due to reduced improvement in credit quality compared to the prior year in addition to lower economic cycle overlay releases.

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)	**2015**	2014	2013	2012	2011
Collective provision					
Balance at the beginning of the period	**451**	542	604	662	793
(Credit) / Charge to income statement	**6**	(91)	(62)	(58)	(131)
Balance at the end of the period	**457**	451	542	604	662
Individual provision					
Balance at the beginning of the period	**215**	284	450	494	605
Charge to income statement	**68**	75	125	251	309
Recoveries	**29**	29	23	25	22
Bad debts written off	**(152)**	(176)	(286)	(269)	(366)
Discount unwind	**(6)**	3	(28)	(51)	(76)
Balance at the end of the period	**154**	215	284	450	494
The provision for impairment expressed as a percentage of gross impaired assets less interest reserved (%):					
Individual provisions	**40.31**	33.91	31.52	32.94	28.62
Total provisions	**159.95**	105.04	91.68	77.16	66.97
Collective provision for impairment expressed as a percentage of credit risk-weighted exposures (%)	**0.66**	0.72	0.87	1.06	1.11

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:

NZ$ millions	**2015**	2014	2013	2012	2011
					As at September 30,
Gross balances of impaired assets					
with individual provisions set aside	**368**	593	887	1,203	1,704
without individual provisions set aside	**14**	41	14	163	22
Gross impaired assets	**382**	634	901	1,366	1,726
Individual provision for credit impairment	**154**	215	284	450	494
Net impaired assets	**228**	419	617	916	1,232
Net impaired assets as a percentage of gross loans and advances (%)	**0.21**	0.43	0.67	1.04	1.45

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 arrears for the dates indicated. Interest on these past due loans is accrued and brought to account in the income statement.

NZ$ millions	**2015**	2014	2013	2012	2011
					As at September 30,
Gross loans past due not subject to individual provision[1]	**197**	150	208	210	288
Gross impaired assets	**382**	634	901	1,366	1,726
Total past due loans	**579**	784	1,109	1,576	2,014

(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:

NZ$ millions	**2015**	2014	2013	2012	2011
					Year ended September 30,
Provision for credit impairment					
Balance at the beginning of the period	**666**	826	1,054	1,156	1,398
Net increase in provisions (see (i) below)	**74**	(16)	63	193	178
Bad debts recovered	**29**	29	23	25	22
Reversal of individual provisions as a result of bad debt write-offs (see (ii) below)	**(152)**	(176)	(286)	(269)	(366)
Discount unwind	**(6)**	3	(28)	(51)	(76)
Balance at end of the period	**611**	666	826	1,054	1,156

NZ$ millions	**2015**	2014	2013	2012	2011
					As at September 30,
(i) Net increase in provision by industry category:					
Collective provision	**6**	(91)	(62)	(58)	(131)
Agriculture, Forestry, Fishing & Mining	**14**	(26)	32	87	109
Business Services	**1**	5	1	-	11
Construction	**5**	5	(5)	1	34
Entertainment Leisure & Tourism	**(2)**	2	1	8	1
Financial Services	**1**	1	(1)	1	(14)
Government and Local Authorities	**-**	-	-	-	-
Manufacturing	**1**	6	7	32	(2)
Property Services	**5**	(6)	(5)	37	56
Retail Trade	**2**	3	6	4	1
Wholesale Trade	**(2)**	(8)	(1)	8	8
Transport & Storage	**-**	22	21	4	-
Personal	**40**	68	72	71	104
Other	**3**	3	(3)	(2)	1
Net increase in provisions	**74**	(16)	63	193	178

NZ$ millions	**2015**	2014	2013	2012	2011
					As at September 30,
(ii) Reversal of individual provisions as a result of bad debt write-offs by industry category:					
Agriculture, Forestry, Fishing & Mining	**(20)**	(7)	(47)	(63)	(31)
Business Services	**(5)**	(3)	(3)	(1)	(29)
Construction	**(9)**	(9)	(5)	(3)	(26)
Entertainment Leisure & Tourism	**(4)**	(5)	(4)	(7)	(8)
Financial Services	**(1)**	(4)	(4)	(12)	(10)
Manufacturing	**(4)**	(25)	(31)	(6)	(26)
Property Services	**(5)**	(5)	(25)	(46)	(54)
Retail Trade	**(2)**	(6)	(9)	(5)	(10)
Wholesale Trade	**(1)**	(1)	(3)	(3)	(7)
Transport & Storage	**(13)**	(6)	(19)	(3)	(1)
Personal	**(80)**	(93)	(130)	(110)	(162)
Other	**(8)**	(12)	(6)	(10)	(2)
Total reversal of individual provisions	**(152)**	(176)	(286)	(269)	(366)

The following table provides a breakdown by category of our total provisions for doubtful debts on loans and receivables:

	As at September 30, 2015		**As at September 30, 2014**	
	NZ$ millions	**%**	NZ$ millions	%
Collective provision	**457**	**75**	451	68
Agriculture, Forestry, Fishing & Mining	**46**	**7**	53	8
Business Services	**4**	**1**	7	1
Construction	**4**	**1**	8	1
Entertainment Leisure & Tourism	**5**	**1**	8	1
Financial Services	**1**	**-**	1	-
Government and Local Authorities	**-**	**-**	-	-
Manufacturing	**13**	**2**	13	2
Property Services	**17**	**3**	18	3
Retail Trade	**5**	**1**	6	1
Wholesale Trade	**5**	**1**	7	1
Transport & Storage	**7**	**1**	20	3
Personal	**40**	**6**	63	9
Other	**7**	**1**	11	2
Total provisions	**611**	**100.0**	666	100.0

Maturity distribution of borrowings

As at September 30, 2015, 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	No maturity specified	Total
NZ$ Subordinated Notes	-	494	1,003	835	2,332
A$ Subordinated Notes	-	-	-	11	11
Euro Fixed Rate Notes	-	3,528	1,323	-	4,851
Euro Floating Rate Notes	529	882	-	-	1,411
NZ$ Fixed Rate Notes	-	-	44	-	44
NZ$ Floating Rate Notes	150	1,825	-	-	1,975
HK$ Fixed Rate Notes	525	1,025	-	-	1,550
US$ Fixed Rate Notes	2,356	2,748	-	-	5,104
US$ Floating Rate Notes	243	1,610	-	-	1,853
JPY Fixed Rate Notes	17	26	-	-	43
JPY Floating Rate Notes	52	-	-	-	52
GBP Floating Rate Notes	595	-	-	-	595
CHF Fixed Rate Notes	36	-	-	-	36
CHF Floating Rate Notes	242	1,210	-	-	1,452
SGD Fixed Rate Notes	323	-	-	-	323
US$ Commercial Paper	4,845	-	-	-	4,845
Euro Commercial Paper	119	-	-	-	119
Registered Certificates of Deposit	745	-	-	-	745
Other wholesale borrowings	178	35	-	-	213
Gross wholesale borrowings	10,955	13,383	2,370	846	27,554

Average deposits

Details of our average deposits and short term borrowings are provided in the following table for the dates indicated.

NZ$ millions (unless otherwise stated)	**Year ended September 30,**					
	2015		2014		2013	
	Average balance	**Average rate paid (%)**	Average balance	Average rate paid (%)	Average balance	Average rate paid (%)
Term deposits[1]	**36,364**	**4.50**	36,335	4.12	37,488	3.93
Other deposits and borrowings	**39,889**	**2.85**	34,684	2.68	29,719	2.73
Commercial paper	**6,530**	**4.29**	6,169	3.71	5,110	3.33
	82,783	**3.69**	77,188	3.44	72,316	3.39

(1) Term deposits include quoted rate term deposits, negotiable certificates of deposit and floating rate certificates of deposit.

Certificates of deposit and other term deposit maturities

The following table shows the maturity profile of our certificates of deposit and other term deposits. The amounts disclosed in the table represent undiscounted future principal cash flows:

NZ$ millions	**As at September 30, 2015**			
	3 months or less	**Over 3 months through 12 months**	**Over 12 months**	**Total**
Certificates of deposit	616	134	**-**	**750**
Other term deposits	14,331	17,275	3,376	**34,982**
Total certificates of deposits and other term deposits	14,947	17,409	3,376	**35,732**

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, 2015	2014	2013
Trading securities at book value			
Government, local body stock and bonds	**6,355**	6,607	5,404
Certificates of deposit	**190**	378	551
Promissory notes	**259**	91	36
Other interest bearing securities	**5,335**	4,674	4,329
Total trading securities at book value	**12,139**	11,750	10,320
Trading securities at market value			
Government, local body stock and bonds	**6,355**	6,607	5,404
Certificates of deposit	**190**	378	551
Promissory notes	**259**	91	36
Other interest bearing securities	**5,335**	4,674	4,329
Total trading securities at market value	**12,139**	11,750	10,320

The following table summarizes the market value of our holdings of trading securities as at September 30, 2015, according to their maturity dates:

NZ$ millions	As at September 30, 2015
Maturing in 1 year or less	**2,567**
Maturing between 1 and 5 years	**8,632**
Maturing after 5 years	**940**
Total trading securities	**12,139**

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:

	As at September 30, 2015				
NZ$ millions (unless otherwise stated)	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	**1,736**	**4,144**	**475**	**6,355**	**3.60%**
Other securities	**831**	**4,488**	**465**	**5,784**	**4.03%**
Total trading securities	**2,567**	**8,632**	**940**	**12,139**	**3.81%**

Funding

The following table sets forth our funding as at the dates indicated:

NZ$ millions	**2015**	2014	2013
	As at September 30,		
Deposits and other borrowings			
Unsecured			
Term deposits[1]	**35,727**	36,134	36,226
Other deposits and borrowings[2]	**48,251**	40,259	36,333
US and Euro commercial paper	**4,964**	6,057	4,765
Total unsecured deposits and other borrowings	**88,942**	82,450	77,324
Secured			
Debenture stock	**1,736**	1,569	1,492
Total secured deposits and other borrowings	**1,736**	1,569	1,492
Bonds, notes and subordinated debt			
Unsecured			
Domestic	**5,971**	4,085	3,590
Offshore	**15,775**	14,101	13,048
Total bonds, notes and subordinated debt	**21,746**	18,186	16,638
Total funding	**112,424**	102,205	95,454
Represented by:			
Customer deposits	**84,870**	76,355	70,567
Wholesale	**27,554**	25,580	24,887
Total funding	**112,424**	102,205	95,454

(1) Term deposits include quoted rate term deposits, negotiable certificates of deposit and floating rate certificates of deposit.

(2) Principally customer deposits.

The following table sets forth our return on assets, return on equity and equity to assets ratio for the periods indicated:

(%)	**2015**	2014	2013	2012	2011
	Year ended September 30,				
Return on assets[1]	**1.29**	1.38	1.13	1.08	0.96
Return on equity after goodwill[2]	**20.32**	19.85	17.10	16.87	14.92
Equity to assets ratio[3]	**8.68**	9.53	9.23	9.06	9.26

(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)	**2015**	2014	2013
	As at September 30,		
Balance at end of the year (including accrued interest)	**4,964**	6,057	4,765
Weighted average interest rate at end of the year (%)	**3.42**	3.84	3.03
Maximum amount outstanding at any month end during the year	**7,834**	6,951	6,343
Average amount outstanding during the year	**6,530**	6,169	5,113
Weighted average interest rate during the year (%)	**4.29**	3.71	3.33

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.

Overview

ANZBGL and its subsidiaries (together, the "**ANZ Group**"), which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. 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. ANZBGL's Australian Business Number is ABN 11 005 357 522.

As of the close of trading on September 30, 2015, ANZBGL had a market capitalization of A$78.6 billion. As of September 30, 2015, the ANZ Group had total assets of A$889.9 billion, and shareholders' equity of A$57.4 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**").

Principal activities of the ANZ Group

The ANZ Group operates on a divisional structure with Australia, International and Institutional Banking ("**IIB**"), New Zealand and Global Wealth being the major operating divisions. The IIB and Global Wealth divisions are coordinated globally. Global Technology, Services & Operations and Group Center provide support to the operating divisions, including technology, operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Center also includes Group Treasury and Shareholder Functions.

Australia

The Australia division comprises the Retail and Corporate and Commercial Banking ("C&CB") business units.

- **Retail**

  Retail is responsible for delivering a full range of banking services to consumer customers, using capabilities in product management, analytics, customer research, segmentation, strategy and marketing.

  - **Home Loans** provides housing finance to consumers in Australia for both owner-occupied and investment purposes, as well as providing housing finance for overseas investors.
  - **Cards and Personal Loans** provides unsecured lending products to retail customers.
  - **Deposits and Payments** provides transaction banking, savings and investment products, such as term deposits and cash management accounts.

  Retail delivers banking solutions to customers across multiple distribution channels including the Australian branch network, ANZ Direct, specialist sales channels and digital channels (including goMoney™, Internet Banking, and anz.com). The retail distribution network provides retail and wealth solutions to consumers, as well as providing small business solutions and meeting the various cash and check handling needs of corporate, commercial and institutional customers.

- **Corporate and Commercial Banking**

  - **Corporate Banking** provides a full range of banking services, including traditional relationship banking and sophisticated financial solutions, primarily to large private companies, smaller listed companies and multi-national corporation subsidiaries.
  - **Regional Business Banking** provides a full range of banking services to non-metropolitan commercial and agricultural (including corporate) customers.
  - **Business Banking** provides a full range of banking services to metropolitan-based small to medium sized business clients with a turnover of A$5 million up to A$125 million.
  - **Small Business Banking** provides a full range of banking services to metropolitan and regional based small businesses in Australia with a turnover of up to A$5 million and lending up to A$1 million.

- **Esanda** provides motor vehicle and equipment finance.[1]

International and Institutional Banking

The IIB division comprises Global Products, Retail Asia Pacific and Asia Partnerships. IIB services three main customer segments: Global Banking, International Banking and Retail Asia Pacific. Global Banking serves institutional customers with multi-product, multi-geographic requirements, International Banking serves institutional customers with less complex needs and Retail Asia Pacific focuses on affluent and emerging affluent customers across 21 countries.

- **Global Products**
  - **Global Products** service Global Banking and International Banking customers across three product sets:
    - **Global Transaction Banking** provides working capital and liquidity solutions including documentary trade, supply chain financing, structured trade finance as well as cash management solutions, deposits, payments and clearing.
    - **Global Markets** provides risk management services to clients globally on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions. Markets provide origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products. The business unit also manages the ANZ Group's interest rate exposure as well as its liquidity position.
    - **Global Loans and Advisory** which provides specialized loan structuring and execution, loan syndication, project and export finance, debt structuring and acquisition finance, structured asset finance and corporate advisory.
- **Retail Asia Pacific** provides end-to-end financial solutions to individuals and small businesses including deposits, credit cards, loans, investments and insurance. Leveraging the ANZ Group's distinctive footprint, Retail Asia Pacific enables clients' access to opportunities across the region and connects them to specialists for their banking needs in each location.
- **Asia Partnerships** comprises strategic partnerships and investments across Asia which provide the ANZ Group with local business and relationship access as well as country and regulatory insights.[2]

New Zealand

For information on the ANZ Group's New Zealand division, please see "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Overview" in this Offering Memorandum.

Global Wealth

The Global Wealth division comprises Funds Management, Insurance and Private Wealth business units which provide investment, superannuation, insurance and private banking solutions to customers across the Asia Pacific region to make it easier for them to connect with, protect and grow their wealth.

- **Funds Management** includes the Pensions and Investment business and E*TRADE.
- **Insurance** includes Life Insurance, General Insurance and ANZ Lenders Mortgage Insurance.
- **Private Wealth** includes global private banking business which specializes in assisting individuals and families to manage, grow and preserve their wealth.
- **Corporate and Other** includes income from invested capital and profits from the Advice and Distribution business.

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(1) On October 8, 2015, ANZBGL entered into an agreement to sell the Esanda Dealer Finance business (a component of Esanda) to Macquarie Group Limited. The sale is expected to be completed during the first half of 2016. The estimated sale price for the portfolio is A$8.2 billion.

(1) Asia Partnerships comprise AMMB Holdings Berhad in Malaysia, PT Bank Pan Indonesia in Indonesia, Shanghai Rural Commercial Bank in China and Bank of Tianjin in China.

Global Technology, Services and Operations ("GTSO") and Group Center

GTSO and Group Center provide support to the operating divisions, including technology, operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Center includes Group Treasury and Shareholder Functions.

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) triggers or 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 limits established from time to time by APRA (unless otherwise approved by APRA).
- 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 total 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 total capital base.

In addition, APRA may set specific limits on an ADI's exposures to related ADIs, other related entities, a group of related ADIs or a group of related entities on case-by-case basis.

APRA has reviewed the level of exposures that can be provided to the New Zealand operations of the four Australian parent banks, including ANZBGL. APRA has informed ANZBGL that its:

- ratio of New Zealand non-equity exposures (i.e., exposures other than equity investments and investments in capital instruments) to Level 1 Tier 1 capital is to transition to be below a limit of five percent over a five-year period commencing on January 1, 2016;
- percentage excess above the five percent limit as at June 30, 2015 is to reduce by at least one-fifth by the end of each calendar year over the transition period; and
- absolute amount of routine New Zealand non-equity exposure (i.e., exposures other than equity investments and investments in capital instruments) is not to increase from the June 30, 2015 level until the parent bank is, and expects to remain, below the five percent limit.

ANZBGL established the New Zealand branch, which was registered on January 5, 2009. ANZ New Zealand sells, from time-to-time, residential loans and mortgages into the New Zealand branch to provide funding for its New Zealand business. As at September 30, 2015, the New Zealand branch held $8.01 billion of residential loans. ANZ New Zealand intends to repay this funding at approximately $1.6 billion per annum over the next five years, which is expected to satisfy APRA's requirements described above.

APRA has also clarified that contingent funding support by ANZBGL to ANZ New Zealand during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to its New Zealand operations, must not exceed 50% of ANZBGL's Level 1 Tier 1 capital. At present, only covered bonds meet APRA's criteria for acceptable contingent funding.

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 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 2015 (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.

The New Zealand financial system is sound and operating effectively. Bank lending growth to households and businesses has increased. The banking system maintains capital and funding buffers in excess of minimum requirements and profitability is strong, with a further reduction in costs relative to income. Domestic capital markets have continued to grow, alongside issuance of bonds by both financial and non-financial corporates.

The outlook for global financial stability has deteriorated, with growth in the global economy softening over the past six months and financial market volatility increasing. Slower growth and uncertainty about the path of economic and financial adjustment in China have depressed global commodity prices and added to financial market uncertainty. Interest rates at historic lows are encouraging higher leverage, leading to a build-up in risk in international asset markets. The New Zealand banking system relies on the global markets for funding and in the current environment this represents a source of risk to banking system liquidity.

Against this backdrop, New Zealand's financial system faces two further risks, which have increased since the May Report. The dairy sector faces a second consecutive season of weak cash flow, due to low international dairy commodity prices. Dairy prices have recovered since August, but some indebted farms are likely to come under increased pressure over the coming year, which could be exacerbated if dairy farm prices fall significantly. Banks are working with customers experiencing difficulty, and it is important that they continue to take a medium-term view when assessing farm viability. While credit losses on dairy exposures are expected to be manageable, banks need to ensure that they set aside realistic provisions for the likely increase in problem loans. The Reserve Bank is currently undertaking stress tests of the largest dairy lenders to assess the resilience of their portfolios to a prolonged period of low milk prices.

The other significant area of risk relates to imbalances in the Auckland property market. House price growth in Auckland has increased strongly and house price-to-income ratios in Auckland look increasingly stretched relative to global and historical norms. Rising investor participation has been an important driver of price developments. A significant market correction could challenge financial stability given the large exposure of the banking system to the Auckland housing market. International evidence suggests that investor loans have a higher tendency to default in the event of a major downturn in the housing market.

New rules requiring most loans to property investors in the Auckland region to have a loan-to-value ratio ("**LVR**") of no more than 70% came into force on November 1, 2015, following consultation on the proposed measures. This policy, along with recently enacted tax changes and initiatives to increase housing supply, is expected to help moderate pressure on Auckland house prices. Registered banks are also now required to distinguish loans for residential property investment from other residential loans and hold more capital against them. These policy changes are expected to improve the resilience of bank balance sheets to a housing downturn.

With housing market activity generally more subdued outside Auckland and house prices less stretched, the limit on the maximum share of lending at LVRs above 80% for the rest of New Zealand was increased from 10% to 15% effective from November 1, 2015. However, the Reserve Bank will continue to monitor developments in regional housing markets closely in light of the recent lift in house sales and house price inflation in some upper North Island areas such as Hamilton and Tauranga.

The Reserve Bank continues to make progress on a number of regulatory initiatives. Public consultation has recently closed on the stocktake of banking regulations and a summary of submissions will be published shortly. The Reserve Bank has recently released a consultation paper proposing changes to the outsourcing policy for banks. The Reserve Bank and other government agencies have also begun preparing for the IMF's Financial Sector Assessment Programme for New Zealand, a review of the financial system that is expected to take place in late 2016.

Board of Directors of ANZ Bank New Zealand Limited

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	62	Chairman
David Hisco	52	Director and Chief Executive Officer
Antony Carter	58	Independent Non-Executive Director
Joan Withers	62	Independent Non-Executive Director
Mark Verbiest	57	Independent Non-Executive Director
Michael Smith[1]	59	Non-Executive Director, Chief Executive Officer, ANZBGL
Shayne Elliott[2]	52	Non-Executive Director, Chief Financial Officer, ANZBGL
Nigel Williams	53	Non-Executive Director, Chief Risk 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.

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 Industries Limited and The New Zealand Initiative 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 Retail for ANZBGL. 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 and was 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 organization, 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 & Paykel Healthcare Corporation Limited and a director of Fletcher Building Industries Limited and Fletcher Building Limited.

Michael Smith OBE. Mr. Smith joined the ANZ New Zealand Board as a Director on October 1, 2007. Mr. Smith is also the Chief Executive and Managing Director of ANZBGL. Mr. Smith is a director of The Financial Markets Foundation for Children, Financial Literacy Australia Limited, and the Institute of International Finance Inc.; a member of the International Monetary Conference, the Australian Bankers Association, the Business Council of Australia, the Australian Government Financial Literacy Advisory Board, the Asia Business Council, the Chongqing Mayor's International Economic Advisory Council, the Shanghai International Financial Advisory Council and Monash Industry Council of Advisers; a Fellow of The Hong Kong Management Association and a Senior Fellow of the Financial Services Institute of Australasia. On October 1, 2015, ANZBGL announced that

(1) On November 24, 2015, ANZ New Zealand announced that Michael Smith will resign as a director of ANZ New Zealand on December 21, 2015.

(2) On October 1, 2015, ANZBGL announced that Shayne Elliott will succeed Michael Smith as ANZBGL Chief Executive Officer on January 1, 2016. Mr. Smith will step down as ANZBGL Chief Executive Officer on December 31, 2015.

Mr. Elliott will succeed Mr. Smith as Chief Executive Officer of ANZBGL and join the Board of ANZBGL on January 1, 2016. Mr. Smith will step down as Chief Executive Officer and Director of ANZBGL on December 31, 2015. Mr. Smith will be retained as a non-executive advisor to the Board of ANZBGL, initially for one year, commencing after his period of leave on July 11, 2016. ANZ New Zealand announced on November 24, 2015, that Mr. Smith will step down from the Board of ANZ New Zealand on December 21, 2015.

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. On October 1, 2015, ANZBGL announced that Mr. Elliott will succeed Mr. Smith as Chief Executive Officer of ANZBGL and join the Board of ANZBGL on January 1, 2016. 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. Mr. Elliott is a Director of AMMB Holdings Berhad.

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 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 Spark New Zealand Limited and Transpower New Zealand Limited. Mr. Verbiest is also a Director of Willis Bond General Partner Limited and Freightways Limited.

Nigel Williams. Mr. Williams was appointed as a non-executive Director of the Board of ANZ New Zealand on December 14, 2015. Mr. Williams is the Chief Risk Officer of ANZBGL and the former Managing Director, Institutional, Australia. Mr. Williams was Alternate Director for Mr. Smith from January 2014 to December 2015. Mr. Williams has previously worked for ANZ New Zealand and Southpac in New Zealand. Mr. Williams is a graduate of Otago University, a former Director of NZX Limited, E*TRADE Australia Limited and Australian Financial Markets Association, and a past board member of INFINZ. Mr. Williams is a member of the New Zealand Institute of Directors and in 2009 was awarded a fellow of INFINZ. He was a member of New Zealand's 2008 Capital Market Development Taskforce.

Remuneration of ANZ New Zealand directors

Our directors were paid an aggregate of $890,565.00, $811,761.00 and $616,742.06 in directors' fees for the years ended September 30, 2015, 2014 and 2013, 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. For further information refer to Note 31 of the 2015 Disclosure Statement.

Board committees

To assist in the execution of its responsibilities, the Board has established committees, including an Audit Committee, a Human Resources 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 Global 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.

Human Resources Committee — This Committee is responsible for reviewing and, where necessary, making recommendations to the Board in respect of remuneration policies and practices, including remuneration relating to the Chairperson, Directors, Chief Executive, and nominated senior management and executive officers, and all other classes of persons covered by the ANZ New Zealand Remuneration Policy. The Committee will also review and monitor the conduct of ANZ New Zealand with respect to human resources matters, including employee engagement, leadership capability and succession, culture and diversity.

The current members of the Human Resources Committee are Mr. Judge (Chairman), Mr. Carter, Mr. Verbiest, Mr. Smith and Mrs. Withers.

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;

(b) Liaise and consult with the ANZBGL Risk Committee to assist it to discharge its responsibilities;

(c) Provide an objective non-executive oversight of the implementation by management of ANZ New Zealand's risk management framework; and

(d) Oversee health and safety matters, including monitoring compliance with health and safety legislation and the implementation and review of related ANZ New Zealand policies.

The current members of the Risk Committee are Mr. Carter (Chairman), Mr. Verbiest, Mr. Judge, Mr. Elliott and Mrs. Withers.

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 ANZ New Zealand's 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

At the date of this Offering Memorandum, the members of ANZNIL's Board were as follows:

Name	Age	Principal Outside Activities
David Hisco	52	Chief Executive Officer and Director, ANZ New Zealand
Antonia Watson	46	Chief Financial Officer, ANZ New Zealand
Anthony Bradshaw	56	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.

Description of the Notes and the Guarantee

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

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

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

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

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

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

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 (and Following Business Day Convention will be specified in your Final Terms) 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

We currently expect to issue Floating Rate Notes that bear interest at rates based on one or more of the following "Base Rates":

- Australian Bank Bill Rate;
- CD Rate;
- CMT Rate;
- Commercial Paper Rate;
- Eleventh District Cost of Funds Rate;
- EURIBOR;
- Federal Funds Rate;
- LIBOR;
- New Zealand Bank Bill Rate;
- Prime Rate; and/or
- Treasury 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 (and Following Business Day Convention will be specified in your Final Terms), 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 (and Modified Following Business Day Convention will be specified in your Final Terms). 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.

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.

- 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.

- 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.

- 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.

- 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".

- 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 the source specified in the applicable Final Terms. If the CD Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear in the source specified in the applicable Final Terms 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 the source specified in the applicable Final Terms or another recognized electronic source used for displaying that rate, under the heading specified in the applicable Final Terms.

- If the rate described in the prior paragraph does not appear in the source specified in the applicable Final Terms 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.

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.

- 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 Bank Bill Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Australian Bank Bill Rate will be the average mid rate for a maturity equal or closest to the Index Maturity specified in the applicable Final Terms 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 equal or closest to 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 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.

Business Day

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.

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.

- 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 ***"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

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

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 or change in the laws or regulations of a relevant jurisdiction, or any amendment to or change in an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the issue date of the relevant Notes or, in the event the relevant Issuer of the Notes has merged, consolidated or sold substantially all of its assets after such date, the most recent 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, and such obligation could not be avoided by the use of reasonable measures available to the relevant Issuer (or, in the case of the ANZNIL Notes, the Guarantor).

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

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. 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.

Additional information about LIBOR

The Financial Conduct Authority (UK), together with the British Bankers' Association (the "**BBA**"), have taken steps intended to strengthen the oversight of the process to set LIBOR rates. With effect from July 1, 2013, the publication of individual banks' daily borrowing rate submission to LIBOR is delayed for three months. The daily publication of the final LIBOR rates has been continued and was not affected by this change. The BBA also transferred responsibility for LIBOR to ICE Benchmark Administration Limited, a subsidiary of InterContinental Exchange Group, Inc. As the LIBOR administrator, ICE Benchmark Administration Limited is responsible for compiling and distributing the LIBOR rate, as well as providing internal governance and oversight. The transfer of the administration from BBA LIBOR Ltd, a subsidiary of BBA, to ICE Benchmark Administration Limited became effective on February 1, 2014.

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

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.

Legal Ownership and Book-Entry Issuance

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 that 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 Depositary 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

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 Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, 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 and is continuing with regard to these Notes.

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 DTC rules applicable to DTC's participants are on file with the SEC. 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for those Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("**beneficial owner**") is in turn to be recorded on DTC participants' and Indirect DTC participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC participant or Indirect DTC participant through which the beneficial owner entered into the transaction. 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 or may not be the beneficial owners. DTC participants and Indirect DTC participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications concerning the Notes by DTC to DTC participants, by DTC participants to Indirect DTC participants, and by DTC participants and Indirect DTC participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of redemption proceeds, distributions, principal and interest on the Notes will be made in immediately available funds to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC participants' accounts, upon DTC's receipt of funds and corresponding detailed information from us or the trustee, on the payment date 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 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 redemption proceeds, distributions, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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 world wide 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 Euroclear participant 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

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.

Foreign Currency Notes – 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.

Foreign Currency Notes – 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; and

- the value of any floating 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 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 either:

    1. multiplied by a fixed multiple that is greater than 0.65 but not more than 1.35 or

    2. multiplied by a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate.

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, and

- 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.

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 of one year or less that meets one of the two requirements described above, 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 of one year or less that meets one of the two requirements described above, 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 (or, in the case of a discount Note, in excess of the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest)), 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, 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

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, is subject to a 3.8% tax on the lesser of (1) the United States Holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) 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 is between $125,000 and $250,000, depending on the individual's circumstances). A United States Holder's net investment income generally includes 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.

Contingent Payment Obligations

The relevant Final Terms will discuss any special United States federal income tax rules with respect to Notes that are subject to the rules governing contingent payment obligations.

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 held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts 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 reporting requirement to their ownership of the Notes.

FATCA Withholding

Certain non-U.S. financial institutions must comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders to avoid becoming subject to withholding on certain payments, either by reporting such information directly to the IRS or, in some cases, such as in the case of New Zealand institutions and branches, by reporting such information to their local revenue authority for it to forward to the IRS. The Issuers and other non-U.S. financial institutions may accordingly be required to report information regarding the Holder of Notes and to withhold on a portion of payments under the Notes to certain Holders that fail to comply with the relevant information reporting requirements (or hold Notes directly or indirectly through certain non-compliant intermediaries). However, such withholding would generally not apply to payments made before January 1, 2019. 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

In general, if you are a noncorporate United States Holder, we and other payors are required to report to the IRS all payments of principal, any premium and interest on your Note, and the accrual of OID on a discount Note. In addition, we and other payors are required to report to the IRS any payment of proceeds of the sale of your Note before maturity within the United States. Additionally, backup withholding would apply to any payments if you fail to provide an accurate taxpayer identification number, or you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

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 us or another non-United States payor. You are also generally exempt from backup withholding and information reporting requirements in respect of payments of principal and interest made within the United States and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as either (i) the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished a valid IRS Form W-8 or other documentation upon which the payor or broker may rely to treat the payments as made to a non-United States person, or (ii) you otherwise establish an exemption.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale of Notes that is effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if:

(i) the broker has certain connections to the United States,

(ii) the proceeds or confirmation are transferred or mailed to an account or address maintained by you in the United States, or

(iii) the sale has certain other specified connections 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, certain foreign brokers may be required to report the amount of gross proceeds from the sale or other disposition of Notes under FATCA if you are, or are presumed to be, a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your United States federal income tax by filing a refund claim with 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, including amounts deemed to be 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, including amounts deemed to be 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.

In May 2015, Inland Revenue released an officials' issues paper titled "NRWT: related party and branch lending". The paper outlines potential future amendments to the scope of withholding tax on interest. If the changes proposed in the issues paper were to be enacted, a deduction on account of New Zealand non-resident withholding tax would be required to be made from a payment of interest (including amounts deemed to be interest) by ANZ New Zealand and ANZNIL under the Notes (and by ANZ New Zealand under the Guarantee) to a person who is not a New Zealand Holder or a person who is not a resident of New Zealand for New Zealand income tax purposes and does not hold Notes in connection with a business carried on by that Holder through a fixed establishment in New Zealand. As set out above, ANZ New Zealand and ANZNIL intend to utilise the approved issuer levy regime to reduce the rate of non-resident withholding tax to zero percent. The changes as proposed provide for a five-year grandfathering period with respect to instruments issued by banks prior to enactment. Therefore, any changes, if enacted, would only take effect from the beginning of the 2021/2022 income year at the earliest in respect of Notes issued prior to enactment.

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 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. 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

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 for UK tax purposes. Such payments of interest are subject to: (i) United Kingdom withholding tax in the same circumstances and subject to the same exemptions as are outlined above; and (ii) the same reporting requirements as outlined below. In certain cases, a discount could be treated in the same way.

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 amount 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 may share certain information with tax authorities in other jurisdictions.

Certain European Union Tax Matters

The European Union Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EUSD**") 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 to certain other persons, resident in that other Member State (interest payments on the Notes will for these purposes be Savings Income). For a transitional period Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted and implemented similar measures (either provision of information or transitional withholding) in relation to payments of Savings Income made by a person within its jurisdiction to an individual, or to certain other persons, 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 other persons, resident in certain dependent or associated territories or non-EU countries.

Where an individual holder of Notes receives a payment of Savings Income from any Member State or dependent or associated territory employing the withholding arrangement, the individual holder of Notes 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 of Notes 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 EUSD or the relevant law conforming with the directive in a dependent or associated territory.

On November 10, 2015 the Council of the European Union adopted a directive repealing the EUSD with effect from January 1, 2017 in the case of Austria and January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates and to certain other transitional provisions in the case of Austria). This is to prevent overlap between the EUSD and a new automatic exchange of information regime to be implemented under EC Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by EC Council Directive 2014/107/EU).

European Union protocols with Switzerland and Liechtenstein

The European Union has signed protocols amending its existing reciprocal agreements with Switzerland and Liechtenstein relating to savings income and transforming them into agreements on automatic exchange of financial account information based on the OECD Standard for Automatic Exchange of Financial Account Information. The revised agreements also take into account the provisions of the amending Directive 2014/107/EU.

The existing EU-Switzerland reciprocal agreement will continue to be operational until December 31, 2016. Subject to local implementation, from January 1, 2017 the amending protocol will come into force and financial institutions in the EU and Switzerland will be required to commence the due diligence procedures envisaged under the new agreement and information exchange is expected to commence by September 2018.

The existing EU-Liechtenstein reciprocal agreement will continue to be operational until December 31, 2015 (or December 31, 2016 in the case of Austria). Subject to local implementation, from January 1, 2016 the amending protocol will come into force and financial institutions in the EU and Liechtenstein (or January 1, 2017 in the case of Austria) will be required to commence the due diligence procedures envisaged under the new agreement and information exchange is expected to commence by September 2017 (or September 2018 in the case of Austria).

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 IGA**"). Pursuant to the UK-US IGA, HM Treasury implemented regulations, now to be found in the International Tax Compliance Regulations 2015 (as amended) (the "**2015 Regulations**"). The 2015 Regulations may require ANZNIL to supply HMRC with certain information which may then be passed on to the IRS.

On June 12, 2014, New Zealand entered into an intergovernmental agreement for the implementation of FATCA and associated memorandum of understanding with the U.S. (the "**NZ-US Intergovernmental Agreement**"). Under the terms of the NZ-US Intergovernmental Agreement, the Issuers will not be required to enter an agreement with the IRS, but will be required to comply with New Zealand legislation that has been implemented to give effect to the NZ-US Intergovernmental Agreement. In addition, unified market practices regarding FATCA have not yet developed.

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) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. 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

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, RBC Capital Markets, 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. 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) 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) 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 or regulated offering of any of the Notes, or possession or distribution of any offering material in relation to the Notes, in New Zealand.

Each Agent will be deemed to represent and agree, and each further Agent appointed under the Distribution Agreement will represent and agree, that it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Note, and it will not distribute any offering memorandum or advertisement in relation to any offer of Notes, in New Zealand, other than to any or all of the following persons only:

(a) "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (the "FMC Act"), being a person who is:

  (i) an "investment business";

  (ii) "large"; or

  (iii) a "government agency",

  in each case as defined in Schedule 1 to the FMC Act; and

(b) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (a) above) Notes may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

In addition, 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).

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 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

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 directly or indirectly, and agrees not to offer or sell the Notes, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or 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 promulgates by the relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purpose of this paragraph "**Japanese Person**" means any person resident in Japan, including any corporation or other entity incorporated or organized under the laws of Japan.

Hong Kong

Each Agent will be deemed to represent and agree that the Notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance, (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**") and any rules made thereunder, 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, in each case 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 applicable securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Singapore

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person (as defined in Section 275(2)), or any person pursuant to an offer referred to in Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person (as defined in Section 275(2)), which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person(as defined in Section 275(2)), or which arises from an offer referred to in Section 275(1A) (in the case of that corporation) or Sectoin 276(4)(i)(B) (in the case of that trust); (2) where no consideration is or will be given for the transfer; or (3) by operation of law.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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, 2015, and September 30, 2014, and for each of the years then ended have been audited by KPMG, independent accountants.

The financial statements of ANZ New Zealand (Int'l) Limited as at September 30, 2015, and September 30, 2014, and for each of the years then ended have been audited by KPMG, independent accountants.

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 December 23, 2015. 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.

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.

3. Since September 30, 2015, 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, 2015, there has been no significant change in the financial or trading position of the ANZ New Zealand Group and ANZNIL.

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.

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:

(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, 2015, and 2014, 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, 2015, and 2014, including copies of the report of the independent auditor thereon.

6. The price and amount of Notes to be issued under the program will be determined by each 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.

Annex A-ANZ New Zealand Financial Statements

Contents

ANZ Bank New Zealand Limited
Annual Report and Registered Bank Disclosure Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2015 | NUMBER 79 ISSUED NOVEMBER 2015

Annual Report and Registered Bank Disclosure Statement

For the year ended 30 September 2015

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Annual Report

For the year ended 30 September 2015

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Bank has agreed that the Annual Report of 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 2015 and the audit report on those financial statements.

For and on behalf of the Board of Directors:

John Judge
Chairman
18 November 2015

David Hisco
Executive Director
18 November 2015

Glossary of Terms

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

(a) Bank means ANZ Bank New Zealand Limited;
(b) Banking Group means the Bank and all its controlled entities;
(c) Immediate Parent Company means ANZ Holdings (New Zealand) Limited;
(d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;
(e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
(f) New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
(g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;
(h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;
(i) Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service;
(j) RBNZ means the Reserve Bank of New Zealand;
(k) APRA means the Australian Prudential Regulation Authority;
(l) the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014; and
(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

Income Statement

NZ$ millions	Note	Year to 30/09/2015	Year to 30/09/2014
Interest income	3	6,926	6,272
Interest expense	4	4,051	3,529
Net interest income		2,875	2,743
Net trading gains	3	262	210
Net funds management and insurance income	3	385	325
Other operating income	3	523	547
Share of associates' profit		5	3
Operating income		4,050	3,828
Operating expenses	4	1,512	1,489
Profit before credit impairment and income tax		2,538	2,339
Credit impairment charge / (release)	13	74	(16)
Profit before income tax		2,464	2,355
Income tax expense	5	681	639
Profit after income tax		1,783	1,716

Statement of Comprehensive Income

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Profit after income tax	1,783	1,716
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on defined benefit schemes	(32)	35
Income tax credit / (expense) relating to items not reclassified	9	(10)
Total items that will not be reclassified to profit or loss	(23)	25
Items that may be reclassified subsequently to profit or loss		
Unrealised gains / (losses) recognised directly in equity	12	(2)
Realised gains transferred to the income statement	(16)	(41)
Income tax credit relating to items that may be reclassified	1	12
Total items that may be reclassified subsequently to profit or loss	(3)	(31)
Total comprehensive income for the year	1,757	1,710

Balance Sheet

NZ$ millions	Note	30/09/2015	30/09/2014
Assets			
Cash	8	2,380	1,822
Settlement balances receivable		309	855
Collateral paid		1,929	783
Trading securities	9	12,139	11,750
Investments backing insurance contract liabilities		151	190
Derivative financial instruments	10	17,658	11,404
Available-for-sale assets	11	1,428	772
Net loans and advances	12	106,357	96,299
Other assets	23	740	648
Life insurance contract assets		552	470
Investments in associates		4	88
Premises and equipment		388	380
Goodwill and other intangible assets	24	3,492	3,454
Total assets		147,527	128,915
Interest earning and discount bearing assets		124,785	111,914
Liabilities			
Settlement balances payable		1,844	2,296
Collateral received		1,687	800
Deposits and other borrowings	14	90,678	84,019
Derivative financial instruments	10	17,230	10,205
Current tax liabilities		87	67
Deferred tax liabilities	5	124	60
Payables and other liabilities	25	1,487	1,297
Provisions	26	191	204
Debt issuances	15	19,403	17,042
Subordinated debt	16	2,343	1,144
Total liabilities		135,074	117,134
Net assets		12,453	11,781
Equity			
Share capital	27	8,888	8,213
Reserves		(10)	(7)
Retained earnings		3,575	3,575
Total equity		12,453	11,781
Interest and discount bearing liabilities		108,629	97,809

For and on behalf of the Board of Directors:

John Judge
Chairman
18 November 2015

David Hisco
Executive Director
18 November 2015

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

Cash Flow Statement

NZ$ millions	Note	Year to 30/09/2015	Year to 30/09/2014
Cash flows from operating activities			
Interest received		**6,857**	6,189
Dividends received		**89**	4
Net funds management & insurance income		**303**	261
Fees and other income received		**662**	686
Interest paid		**(3,985)**	(3,429)
Operating expenses paid		**(1,387)**	(1,430)
Income taxes paid		**(587)**	(468)
Cash flows from operating profits before changes in operating assets and liabilities		**1,952**	1,813
Net changes in operating assets and liabilities:			
Change in settlements receivable		**4**	167
Change in collateral paid		**(1,146)**	219
Change in trading securities		**(208)**	(1,025)
Change in derivative financial instruments		**2,837**	(480)
Change in available-for-sale assets		**(634)**	188
Change in insurance investment assets		**39**	(18)
Change in loans and advances		**(12,198)**	(8,873)
Proceeds from sale of loans and advances to NZ Branch		**1,891**	3,393
Change in settlements payable		**519**	33
Change in collateral received		**887**	362
Change in deposits and other borrowings		**6,511**	5,498
Net changes in operating assets and liabilities		**(1,498)**	(536)
Net cash flows provided by operating activities	7	**454**	1,277
Cash flows from investing activities			
Proceeds from sale of shares in associates		**-**	9
Proceeds from sale of premises and equipment		**-**	9
Purchase of intangible assets		**(73)**	(43)
Purchase of premises and equipment		**(59)**	(77)
Net cash flows used in investing activities		**(132)**	(102)
Cash flows from financing activities			
Proceeds from issue of debt issuances		**4,212**	4,431
Proceeds from issue of subordinated debt		**1,497**	-
Proceeds from issue of ordinary shares		**675**	970
Redemptions of debt issuances		**(4,008)**	(3,684)
Redemptions of subordinated debt		**(297)**	-
Change in funding from Immediate Parent Company		**-**	(913)
Dividends paid		**(1,760)**	(2,353)
Net cash flows provided by / (used in) financing activities		**319**	(1,549)
Net increase / (decrease) in cash and cash equivalents		**641**	(374)
Cash and cash equivalents at beginning of the year		**1,830**	2,204
Cash and cash equivalents at end of the year	7	**2,471**	1,830

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

Statement of Changes in Equity

NZ$ millions	Note	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2013		7,243	(2)	26	4,187	11,454
Profit after income tax		-	-	-	1,716	1,716
Unrealised gains / (losses) recognised directly in equity		-	3	(5)	-	(2)
Realised gains transferred to the income statement		-	-	(41)	-	(41)
Actuarial gain on defined benefit schemes		-	-	-	35	35
Income tax credit / (expense) on items recognised directly in equity		-	(1)	13	(10)	2
Total comprehensive income for the year		-	2	(33)	1,741	1,710
Ordinary shares issued	**27**	970	-	-	-	970
Ordinary dividend paid	**27**	-	-	-	(2,340)	(2,340)
Preference dividend paid	**27**	-	-	-	(13)	(13)
As at 30 September 2014		8,213	-	(7)	3,575	11,781
Profit after income tax		**-**	**-**	**-**	**1,783**	**1,783**
Unrealised gains recognised directly in equity		**-**	**-**	**12**	**-**	**12**
Realised gains transferred to the income statement		**-**	**-**	**(16)**	**-**	**(16)**
Actuarial loss on defined benefit schemes		**-**	**-**	**-**	**(32)**	**(32)**
Income tax credit on items recognised directly in equity		**-**	**-**	**1**	**9**	**10**
Total comprehensive income for the year		**-**	**-**	**(3)**	**1,760**	**1,757**
Ordinary shares issued	**27**	**675**	**-**	**-**	**-**	**675**
Ordinary dividend paid	**27**	**-**	**-**	**-**	**(1,745)**	**(1,745)**
Preference dividend paid	**27**	**-**	**-**	**-**	**(15)**	**(15)**
As at 30 September 2015		**8,888**	**-**	**(10)**	**3,575**	**12,453**

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 Financial Markets Conduct Act 2013 and the Order. The financial statements are for the Bank's consolidated group, which includes its subsidiaries and associates.

These financial statements comply with

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable profit-oriented entities; and
- 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

The preparation of these financial statements requires the use of management judgements, estimates and assumptions that affect reported amounts and the application of policies.

Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, are covered in note 2. Such estimates are reviewed on an ongoing basis.

(iii) Basis of measurement

The financial information has 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;
- 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 are consistent with those of the previous financial year.

(v) Rounding

The amounts in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vii) Principles of consolidation

Subsidiaries

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Banking Group when it is determined that control over the entity exists. Control is deemed to exist when the Banking Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is assessed by examining existing rights that give the Banking Group the current ability to direct the relevant activities of the entity.

At times, the determination of control can be judgemental. Further detail on the judgements involved in assessing control has been provided in note 2.

The effect of all transactions between entities in the Banking Group is eliminated.

Associates

The Banking Group applies the equity method of accounting for associates.

(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.

(b) Income recognition

(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. This is assessed on a regular basis.

Notes to the Financial Statements

(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.

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.

(c) Expense recognition

(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.

(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.

(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 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.

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.

Notes to the Financial Statements

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 effective as a hedging instrument and designated as such, 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.

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. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedges is recognised initially in other comprehensive income and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion is recognised immediately in the income statement. When the hedging instrument 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 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.

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 and finance lease receivables.

Notes to the Financial Statements

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.

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 to be onerous.

(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 deposits and other borrowings. 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 cash or net loans and advances if original maturity is greater than 90 days. 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 or a portion of the risks and rewards of the transferred assets. 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. This involves using the discounted cash flows methodology to determine the expected future benefits of the cash-generating units to which the goodwill relates. Where the assessment results in the goodwill balance exceeding the value of expected future benefits, the

Notes to the Financial Statements

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, UDC secured investments, 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) Debt issuances and subordinated debt

Debt issuances and subordinated debt are accounted for in the same way as deposits and other borrowings.

(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.

(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 other operating 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. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement.

(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 and nostro balances included in settlement balances receivable and settlement balances payable.

(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

Notes to the Financial Statements

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 are not recognised in the balance sheet but disclosed in note 22 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 standard was available for early adoption but has not been applied in these financial statements.

Standards and amendments effective for periods commencing after 1 January 2018

NZ IFRS 9 Financial Instruments
The External Reporting Board issued the final version of *NZ IFRS 9 Financial Instruments* in September 2014. When operative, this standard will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IFRS 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. NZ IFRS 9 is not mandatorily effective for the Banking Group until 1 October 2018. The Banking Group is in the process of assessing the impact of application of NZ IFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

2. Critical Estimates and Judgements 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 is 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 13 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.

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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).

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities and are often thinly capitalised with a reliance on debt financing for support.

The Banking Group assesses, at inception and periodically, whether a structured entity should be consolidated based on the accounting policy outlined in note 1. Such assessments are predominantly securitisation activities and involvement with managed funds. When assessing whether the Banking Group controls (and therefore consolidates) a structured entity, judgement is required about whether the Banking Group has power over the relevant activities as well as exposure to variable returns of the structured entity. All involvement, rights and exposure to returns are considered when assessing if control exists.

The Banking Group is deemed to have power over a managed fund when it performs the function of Manager of that managed fund. Whether the Banking Group controls the managed fund depends on whether it holds that power as principal, or as an agent for other investors. The Banking Group is considered the principal, and thus controls the managed fund, when it cannot be easily removed from the position of Manager by other investors and has variable returns through significant aggregate economic interest in that managed fund. In all other cases the Banking Group is considered to be acting in an agency capacity and does not control the managed fund.

Structured entities are consolidated when control exists. In other cases the Banking Group may simply have an interest in or may sponsor a structured entity but not consolidate it.

The Banking Group considers itself the sponsor of an unconsolidated structured entity where it is the primary party involved in the design and establishment of that structured entity and:

- where the Banking Group is the major user of that structured entity; or
- the Banking Group's name appears in the name of that structured entity or on its products; or
- the Banking Group provides implicit or explicit guarantees of that entity's performance.

Goodwill

Refer to note 24 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 2015 when the last valuation was prepared, a discount rate of 10.05% 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.

Notes to the Financial Statements

3. Income

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Interest income		
Financial assets at fair value through profit or loss		
Trading securities	**488**	474
Financial assets not at fair value through profit or loss		
Cash	**94**	72
Available-for-sale assets	**37**	33
Net loans and advances	**6,277**	5,677
Other	**30**	16
	6,438	5,798
Total interest income	**6,926**	6,272
Net trading gains		
Net gain on foreign exchange trading	**201**	157
Net gain on trading securities	**384**	57
Net loss on trading derivatives	**(323)**	(4)
Net trading gains	**262**	210
Net funds management and insurance income		
Net funds management income	**165**	139
Net insurance income	**220**	186
Total funds management and insurance income	**385**	325
Other operating income		
Lending and credit facility fee income	**54**	55
Other fee income	**614**	569
Total fee income	**668**	624
Direct fee expense	**(264)**	(216)
Net fee income	**404**	408
Net loss on financial liabilities designated at fair value	**(1)**	-
Net ineffectiveness on qualifying fair value hedges	**(8)**	1
Net gain / (loss) on derivatives not qualifying for hedge accounting	**57**	(7)
Net cash flow hedge gain transferred to income statement	**16**	41
Insurance settlement proceeds	**-**	91
Gain / (loss) on sale of mortgages to NZ Branch	**1**	(23)
Other income	**54**	36
Total other operating income	**523**	547

Notes to the Financial Statements

4. Expenses

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Interest expense		
Financial liabilities at fair value through profit or loss		
Commercial paper	**280**	229
Financial liabilities not at fair value through profit or loss		
Deposits and other borrowings	**2,772**	2,425
Debt issuances	**855**	791
Subordinated debt	**112**	57
Other	**32**	27
	3,771	3,300
Total interest expense	**4,051**	3,529
Operating expenses		
Personnel costs	**733**	716
Employee entitlements	**88**	69
Superannuation costs	**31**	38
Share-based payments expense	**22**	22
Building occupancy costs	**42**	41
Depreciation of premises and equipment	**50**	55
Leasing and rental costs	**80**	78
Technology expenses	**151**	137
Amortisation of software and other intangible assets	**35**	30
Administrative expenses	**162**	170
Charges from Ultimate Parent Bank	**64**	81
Other costs	**54**	52
Total operating expenses	**1,512**	1,489

Notes to the Financial Statements

5. Income Tax

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	**2,464**	2,355
Prima facie income tax at 28%	**690**	659
Imputed and non-assessable dividends	**(3)**	(3)
Change in tax provisions	**-**	(10)
Non assessable income and non deductible expenditure	**(6)**	(8)
Income tax under provided in prior years	**-**	1
Total income tax expense	**681**	639
Effective tax rate (%)	**27.6%**	27.1%
Amounts recognised in the income statement		
Current tax	**607**	531
Deferred tax	**74**	108
Total income tax expense recognised in the income statement	**681**	639
Imputation credits available	**2,989**	2,341

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.

NZ$ millions	30/09/2015	30/09/2014
Deferred tax assets / (liabilities) comprise the following temporary differences:		
Provision for credit impairment	**171**	186
Premises and equipment, software and intangibles	**(8)**	2
Provisions and accruals	**60**	61
Insurance policy assets	**(146)**	(127)
Financial instruments	**4**	3
Carried forward losses	**-**	9
Lease finance	**(203)**	(191)
Other deferred tax assets and liabilities (including tax provisions)	**(2)**	(3)
Net deferred tax liabilities[1]	**(124)**	(60)

[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

6. Segment Analysis

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

During the year ended 30 September 2015, Business Banking was integrated with Retail, having been included in Commercial previously. Segment reporting has been updated to reflect this change and 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 Retail and Business Banking customers via the branch network, mortgage specialists, business managers, the contact centre and a variety of self service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Retail customers have personal banking requirements and Business Banking customers consist primarily of small enterprises with annual revenues of less than NZ$5 million. Core products include current and savings accounts, unsecured lending (credit cards, personal and business loans and overdrafts) and home and business loans secured by mortgages over property. The Retail segment distributes insurance and investment products on behalf of the Wealth segment.

Commercial

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

Wealth

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

Institutional

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

Other

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

Notes to the Financial Statements

Business segment analysis[1]

NZ$ millions	Retail	Commercial	Wealth[2]	Institutional	Other	Total
30/09/2015						
External interest income	**3,362**	**2,441**	**112**	**1,002**	**9**	**6,926**
External interest expense	**(1,697)**	**(388)**	**(208)**	**(498)**	**(1,260)**	**(4,051)**
Net intersegment interest	**(167)**	**(1,149)**	**164**	**(200)**	**1,352**	**-**
Net interest income	**1,498**	**904**	**68**	**304**	**101**	**2,875**
Other external operating income	**403**	**17**	**255**	**360**	**135**	**1,170**
Share of associates' profit	**3**	**-**	**-**	**-**	**2**	**5**
Operating income	**1,904**	**921**	**323**	**664**	**238**	**4,050**
Operating expenses	**880**	**257**	**144**	**189**	**42**	**1,512**
Profit before credit impairment and income tax	**1,024**	**664**	**179**	**475**	**196**	**2,538**
Credit impairment charge	**56**	**-**	**-**	**18**	**-**	**74**
Profit before income tax	**968**	**664**	**179**	**457**	**196**	**2,464**
Income tax expense	**271**	**186**	**43**	**126**	**55**	**681**
Profit after income tax	**697**	**478**	**136**	**331**	**141**	**1,783**
Other information						
Depreciation and amortisation	**15**	**-**	**5**	**-**	**65**	**85**
Goodwill	**929**	**1,052**	**180**	**1,072**	**-**	**3,233**
Other intangible assets	**13**	**-**	**125**	**-**	**121**	**259**
Investment in associates	**4**	**-**	**-**	**-**	**-**	**4**
Total external assets	**58,480**	**40,561**	**2,887**	**43,909**	**1,690**	**147,527**
Total external liabilities	**53,734**	**12,390**	**5,866**	**37,116**	**25,968**	**135,074**
30/09/2014						
External interest income	2,954	2,230	99	978	11	6,272
External interest expense	(1,430)	(327)	(206)	(475)	(1,091)	(3,529)
Net intersegment interest	(124)	(1,045)	165	(177)	1,181	-
Net interest income	1,400	858	58	326	101	2,743
Other external operating income	395	18	318	299	52	1,082
Share of associates' profit	1	-	-	-	2	3
Operating income	1,796	876	376	625	155	3,828
Operating expenses	871	252	136	182	48	1,489
Profit before credit impairment and income tax	925	624	240	443	107	2,339
Credit impairment charge / (release)	56	(72)	(1)	1	-	(16)
Profit before income tax	869	696	241	442	107	2,355
Income tax expense	243	195	60	122	19	639
Profit after income tax	626	501	181	320	88	1,716
Other information						
Depreciation and amortisation	17	2	5	-	61	85
Goodwill	929	1,052	180	1,072	-	3,233
Other intangible assets	22	-	126	-	73	221
Investment in associates	3	-	-	-	85	88
Total external assets	52,381	37,785	2,531	34,728	1,490	128,915
Total external liabilities	47,088	10,936	5,316	28,861	24,933	117,134

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

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

Notes to the Financial Statements

7. Notes to the Cash Flow Statement

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	**1,783**	1,716
Non-cash items:		
Depreciation and amortisation	**85**	85
Provision for credit impairment	**74**	(16)
Deferred fee revenue and expenses	**(3)**	(4)
Amortisation of capitalised brokerage / mortgage origination fees	**123**	66
Amortisation of premiums and discounts	**60**	152
Fair value gains and losses	**(263)**	(222)
Loss on disposal and impairment of premises and equipment and intangibles	**1**	16
Deferrals or accruals of past or future operating cash receipts or payments:		
Change in net operating assets less liabilities	**(1,498)**	(536)
Change in interest receivable	**-**	(52)
Change in interest payable	**(9)**	32
Change in accrued expenses	**13**	(25)
Change in provisions	**(13)**	(25)
Change in life insurance policy assets	**(79)**	(67)
Change in other receivables and payables	**2**	(15)
Change in net income tax assets / liabilities	**94**	171
Dividends from associates in excess of share of profits	**84**	1
Net cash flows provided by operating activities	**454**	1,277

NZ$ millions	30/09/2015	30/09/2014
Reconciliation of cash and cash equivalents to the balance sheet		
Cash	**2,380**	1,822
Amounts included in settlement balances receivable / (payable):		
Nostro accounts	**108**	38
Overdrawn nostro accounts	**(17)**	(30)
Total cash and cash equivalents	**2,471**	1,830

8. Cash

NZ$ millions	30/09/2015	30/09/2014
Coins, notes and cash at bank	**195**	204
Balances with central banks	**1,847**	1,309
Securities purchased under agreements to resell	**338**	309
Total cash	**2,380**	1,822

Notes to the Financial Statements

9. Trading Securities

NZ$ millions	30/09/2015	30/09/2014
Government, local body stock and bonds	**6,355**	6,607
Certificates of deposit	**190**	378
Promissory notes	**259**	91
Reserve Bank bills	**200**	-
Other bank bonds	**5,077**	4,630
Other	**58**	44
Total trading securities	**12,139**	11,750

10. 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.

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.

Notes to the Financial Statements

NZ$ millions	30/09/2015 Notional principal amount	30/09/2015 Fair values Assets	30/09/2015 Fair values Liabilities	30/09/2014 Notional principal amount	30/09/2014 Fair values Assets	30/09/2014 Fair values Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	**76,319**	**1,625**	**1,339**	64,229	1,464	1,234
Swap agreements	**123,744**	**2,886**	**3,559**	146,852	5,368	4,950
Options purchased	**1,870**	**79**	**3**	2,528	47	1
Options sold	**1,820**	**2**	**46**	2,381	1	36
	203,753	**4,592**	**4,947**	215,990	6,880	6,221
Interest rate derivatives						
Forward rate agreements	**24,743**	**2**	**12**	9,514	2	1
Swap agreements	**1,140,894**	**12,421**	**11,479**	694,051	4,180	3,782
Futures contracts	**45,407**	**12**	**19**	17,930	2	5
Options purchased	**1,218**	**5**	**-**	1,607	2	-
Options sold	**827**	**1**	**2**	840	1	3
	1,213,089	**12,441**	**11,512**	723,942	4,187	3,791
Commodity derivatives	**235**	**29**	**29**	346	22	21
Total derivatives held for trading	**1,417,077**	**17,062**	**16,488**	940,278	11,089	10,033
Derivatives in hedging relationships						
Fair value hedges						
Foreign exchange swap agreements	**-**	**-**	**-**	17	-	-
Interest rate swap agreements	**30,230**	**230**	**375**	20,044	219	64
	30,230	**230**	**375**	20,061	219	64
Cash flow hedges						
Interest rate swap agreements	**21,715**	**366**	**367**	18,866	96	108
Total derivatives in hedging relationships	**51,945**	**596**	**742**	38,927	315	172
Total derivative financial instruments	**1,469,022**	**17,658**	**17,230**	979,205	11,404	10,205

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

NZ$ millions	30/09/2015	30/09/2014
Gain / (loss) arising from fair value hedges:		
- hedged item	**143**	(41)
- hedging instrument	**(151)**	42
Net ineffectiveness on qualifying fair value hedges	**(8)**	1

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

NZ$ millions	30/09/2015	30/09/2014
Deferred gain / (loss) attributable to hedges of:		
Variable rate loan assets	**187**	(29)
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**(197)**	22
Total cash flow hedging reserve	**(10)**	(7)

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 ten years (30/09/2014 ten years).

Notes to the Financial Statements

11. Available-for-sale Assets

NZ$ millions	30/09/2015	30/09/2014
Government, local body stock and bonds	**270**	522
Reserve Bank bills	**599**	-
Other debt securities	**557**	248
Equity securities	**2**	2
Total available-for-sale assets	**1,428**	772

12. Net Loans and Advances

NZ$ millions	Note	30/09/2015	30/09/2014
Overdrafts		**1,638**	1,744
Credit card outstandings		**1,688**	1,580
Term loans - housing		**59,428**	52,717
Term loans - non-housing		**42,880**	39,622
Lease receivables		**236**	277
Hire purchase		**946**	837
Other		**-**	125
Total gross loans and advances		**106,816**	96,902
Less: Provision for credit impairment	13	**(611)**	(666)
Less: Unearned income		**(214)**	(212)
Add: Capitalised brokerage/mortgage origination fees		**314**	208
Add: Customer liability for acceptances		**52**	67
Total net loans and advances		**106,357**	96,299

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of NZ$8,011 million as at 30 September 2015 (30/09/2014 NZ$9,176 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

Notes to the Financial Statements

13. Provision for Credit Impairment

Credit impairment charge / (release)

NZ$ millions	30/09/2015 Retail mortgages	30/09/2015 Other retail exposures	30/09/2015 Non-retail exposures	30/09/2015 Total	30/09/2014 Retail mortgages	30/09/2014 Other retail exposures	30/09/2014 Non-retail exposures	30/09/2014 Total
New and increased provisions	31	107	76	214	50	120	111	281
Write-backs	(39)	(19)	(59)	(117)	(44)	(21)	(112)	(177)
Recoveries of amounts written off previously	(1)	(20)	(8)	(29)	(2)	(20)	(7)	(29)
Individual credit impairment charge / (release)	(9)	68	9	68	4	79	(8)	75
Collective credit impairment charge / (release)	(1)	9	(2)	6	(23)	1	(69)	(91)
Credit impairment charge / (release)	(10)	77	7	74	(19)	80	(77)	(16)

Movement in provision for credit impairment

NZ$ millions	30/09/2015 Retail mortgages	30/09/2015 Other retail exposures	30/09/2015 Non-retail exposures	30/09/2015 Total	30/09/2014 Retail mortgages	30/09/2014 Other retail exposures	30/09/2014 Non-retail exposures	30/09/2014 Total
Collective provision								
Balance at beginning of the year	78	118	255	451	101	117	324	542
Charge / (release) to income statement	(1)	9	(2)	6	(23)	1	(69)	(91)
Balance at end of the year	77	127	253	457	78	118	255	451
Individual provision								
Balance at beginning of the year	72	15	128	215	74	22	188	284
New and increased provisions net of write-backs	(8)	88	17	97	6	99	(1)	104
Bad debts written off	(4)	(94)	(54)	(152)	(3)	(106)	(67)	(176)
Discount unwind reversal / (discount unwind)[1]	(6)	-	-	(6)	(5)	-	8	3
Balance at end of the year	54	9	91	154	72	15	128	215
Total provision for credit impairment	131	136	344	611	150	133	383	666

[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.

Impaired assets

NZ$ millions	30/09/2015 Retail mortgages	30/09/2015 Other retail exposures	30/09/2015 Non-retail exposures	30/09/2015 Total	30/09/2014 Retail mortgages	30/09/2014 Other retail exposures	30/09/2014 Non-retail exposures	30/09/2014 Total
Balance at beginning of the year	189	35	410	634	179	49	673	901
Transfers from productive	89	126	155	370	178	138	299	615
Transfers to productive	(69)	(7)	(46)	(122)	(41)	(4)	(153)	(198)
Assets realised or loans repaid	(108)	(28)	(212)	(348)	(124)	(42)	(342)	(508)
Write offs	(4)	(94)	(54)	(152)	(3)	(106)	(67)	(176)
Total impaired assets	97	32	253	382	189	35	410	634
Undrawn facilities with impaired customers	1	-	14	15	1	-	38	39

Notes to the Financial Statements

14. Deposits and Other Borrowings

NZ$ millions	Note	30/09/2015	30/09/2014
Certificates of deposit		**745**	1,376
Term deposits		**34,982**	34,758
Other deposits bearing interest and other borrowings		**41,436**	34,027
Deposits not bearing interest		**6,716**	6,001
Deposits from banks		**47**	226
Commercial paper		**4,964**	6,057
UDC secured investments	20	**1,736**	1,569
Deposits from other members of ANZ New Zealand	31	**52**	5
Total deposits and other borrowings		**90,678**	84,019

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.

15. Debt Issuances

NZ$ millions	Note	30/09/2015	30/09/2014
Domestic bonds		**3,525**	3,250
U.S. medium term notes[1]		**6,831**	4,934
Euro medium term notes[1]		**3,598**	4,774
Covered bonds[1]	20, 30	**5,335**	3,928
Index linked notes		**35**	35
Total debt issuances		**19,324**	16,921
Fair value hedge adjustment		**175**	129
Less debt issuances held by the Bank		**(96)**	(8)
Total debt issuances		**19,403**	17,042

Debt issuances, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of the Banking Group.

[1] These debt issuances are issued by ANZ New Zealand (Int'l) Limited and are guaranteed by the Bank.

Notes to the Financial Statements

16. Subordinated Debt

NZ$ millions	30/09/2015	30/09/2014
ANZ Capital Notes[1]		
NZD1,003m ANZ New Zealand Internal Capital Notes (ANZ NZ ICN)	**1,003**	-
NZD 500m ANZ New Zealand Capital Notes (ANZ NZ CN)[2]	**494**	-
Perpetual subordinated debt		
NZD 835m perpetual subordinated bond[2,3]	**835**	835
AUD 266m perpetual subordinated floating rate loan[3,4]	**-**	298
AUD 10m perpetual subordinated floating rate loan	**11**	11
Total subordinated debt	**2,343**	1,144

[1] These instruments qualify as additional tier 1 capital.
[2] These instruments are listed on the New Zealand Debt Market (NZDX). The Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.3 (relating to the provision of preliminary announcements of half yearly and annual results to the NZX) and 10.4 (relating to preparing and providing a copy of half yearly and annual reports to the NZX).
[3] These instruments qualify as tier 2 capital under RBNZ's transitional rules. Refer to note 28 for further details.
[4] This loan was repaid on 16 March 2015. Interest was payable semi-annually in arrears based on a floating rate equal to the aggregate of the Australian 6 month bank bill rate plus a 95 basis point margin.

Subordinated debt 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.

ANZ Capital Notes

- On 5 March 2015, the Bank issued 10.0 million convertible notes (ANZ NZ ICN) to the NZ Branch at NZ$100 each, raising NZ$1,003 million.
- On 31 March 2015, the Bank issued 500 million convertible notes (ANZ NZ CN) at NZ$1 each, raising NZ$500 million before issue costs.

ANZ Capital Notes (the notes) are fully paid mandatorily convertible non-cumulative perpetual subordinated notes.

As at 30 September 2015, ANZ NZ CN carried a BBB- credit rating from Standard and Poor's.

The notes are classified as debt given there are circumstances beyond the Bank's control where the principal is converted into a variable number of shares of the Bank (ANZ NZ ICN) or the Ultimate Parent Bank (ANZ NZ CN).

Interest

Interest on the notes is non-cumulative and payable as follows:

- ANZ NZ ICN: payable semi-annually in arrears in March and September in each year. The interest rate is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus a 380 basis point margin.
- ANZ NZ CN: payable quarterly in arrears in February, May, August and November in each year. The interest rate is fixed at 7.2% per annum until 25 May 2020, and thereafter will be based on a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus a 350 basis point margin.

Interest payments are subject to the Bank's absolute discretion and certain payment conditions being satisfied (including RBNZ and APRA (ANZ NZ CN only) requirements). If interest is not paid on the notes the Bank may not, except in limited circumstances, pay dividends or undertake a share buy-back or other capital reduction on its ordinary shares until interest is next paid.

Conversion features

On 24 March 2025 (ANZ NZ ICN) or 25 May 2022 (ANZ NZ CN) or an earlier date under certain circumstances, the relevant notes will mandatorily convert into a variable number of ordinary shares of the:

- Bank based on the net assets per share in the Bank's most recently published Disclosure Statement (ANZ NZ ICN); or
- Ultimate Parent Bank based on the average market price of the Ultimate Parent Bank's ordinary shares over a specified period prior to conversion less a 1% discount, subject to a maximum conversion number (ANZ NZ CN).

The mandatory conversion will be deferred for a specified period if the conversion tests are not met.

The Bank may be required to convert some or all of the notes if a common equity capital trigger event, or an RBNZ or APRA (ANZ NZ CN only) non-viability trigger event occurs. The ANZ ICN will convert into ordinary shares of the Bank and the ANZ CN will convert into ordinary shares of the Ultimate Parent Bank, subject to a maximum conversion number.

A common equity capital trigger event occurs if the:

- Banking Group's common equity tier 1 capital ratio is equal to or less than 5.125%; or
- Overseas Banking Group's Level 2 common equity tier 1 capital ratio is equal to or less than 5.125% (ANZ CN only).

An RBNZ non-viability trigger event occurs if the RBNZ directs the Bank to convert or write off the notes or a statutory manager is appointed to the Bank and decides the Bank must convert or write off the notes. An APRA non-viability trigger event occurs if APRA notifies the Ultimate Parent Bank that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Ultimate Parent Bank would become non-viable.

Notes to the Financial Statements

On 25 May 2020 the Bank has the right, subject to satisfying certain conditions, to redeem (subject to receiving RBNZ's and APRA's prior approval), or to convert into ordinary shares of the Ultimate Parent Bank, all or some of the ANZ NZ CN at its discretion on similar terms as mandatory conversion.

On 24 March 2023 the Bank has the right, subject to satisfying certain conditions, to redeem (subject to receiving RBNZ's prior approval), or to convert into ordinary shares of the Bank, all or some of the ANZ NZ ICN at its discretion on similar terms as mandatory conversion.

Rights of holders in event of liquidation

The notes rank equally with each other and with the Bank's preference shares and lower than perpetual subordinated debt. Holders of the notes do not have any right to vote in general meetings of the Bank.

Perpetual subordinated debt

Perpetual subordinated debt 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 may elect to redeem the bond on 18 April 2018 (the Call Date) or any interest payment date subsequent to 18 April 2018. Interest is payable semi-annually in arrears on 18 April and 18 October each year, up to and including the Call Date and then quarterly thereafter. Should the bond not be called at the Call Date, the Coupon Rate from the Call Date onwards will be based on a floating rate equal to the aggregate of the 3 month bank bill rate plus a 300 basis point margin.

As at 30 September 2015, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond is 5.28% per annum until 18 April 2018.

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 semi-annually in arrears on 15 March and 15 September each year. The Bank may repay the loan on any interest payment date after the NZD 835,000,000 bond has been repaid in full.

Coupon interest is based on a floating rate equal to the aggregate of the Australian 6 month bank bill rate plus a 240 basis point margin, increasing to the Australian 6 month bank bill rate plus a 440 basis point margin from 15 September 2018.

Notes to the Financial Statements

17. 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

Notes to the Financial Statements

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 on the following tables:

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 Net loans and advances exclude individual and collective provisions for credit impairment held in respect of credit related commitments.
4 Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Notes to the Financial Statements

30/09/2015 NZ$ millions	Cash, settlements receivable and collateral paid	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances[3]	Other financial assets	Credit related commitments[4]	Total
Industry							
Agriculture	-	-	**23**	**18,383**	**73**	**1,238**	**19,717**
Forestry, fishing and mining	-	-	**44**	**931**	**4**	**1,035**	**2,014**
Business and property services	-	**1**	**23**	**10,816**	**43**	**2,798**	**13,681**
Construction	-	-	**12**	**1,342**	**5**	**811**	**2,170**
Entertainment, leisure and tourism	-	-	**47**	**1,067**	**4**	**268**	**1,386**
Finance and insurance	**2,576**	**6,956**	**15,140**	**1,245**	**335**	**1,317**	**27,569**
Government and local authority[1]	**1,847**	**6,475**	**1,338**	**1,156**	**5**	**1,408**	**12,229**
Manufacturing	-	**31**	**417**	**3,470**	**14**	**1,993**	**5,925**
Personal lending	-	-	-	**61,374**	**245**	**19,316**	**80,935**
Retail trade	-	-	**18**	**2,008**	**8**	**1,012**	**3,046**
Transport and storage	-	**6**	**60**	**1,638**	**7**	**759**	**2,470**
Wholesale trade	-	-	**17**	**1,468**	**6**	**1,248**	**2,739**
Other[2]	-	**98**	**519**	**1,970**	**8**	**1,672**	**4,267**
	4,423	**13,567**	**17,658**	**106,868**	**757**	**34,875**	**178,148**
Less: Provision for credit impairment	-	-	-	**(514)**	-	**(97)**	**(611)**
Less: Unearned income	-	-	-	**(214)**	-	-	**(214)**
Add: Capitalised brokerage/mortgage origination fees	-	-	-	**314**	-	-	**314**
Total financial assets	**4,423**	**13,567**	**17,658**	**106,454**	**757**	**34,778**	**177,637**
Geography							
New Zealand	**2,527**	**8,673**	**3,671**	**104,178**	**748**	**34,595**	**154,392**
Overseas	**1,896**	**4,894**	**13,987**	**2,276**	**9**	**183**	**23,245**
Total financial assets	**4,423**	**13,567**	**17,658**	**106,454**	**757**	**34,778**	**177,637**
30/09/2014							
Industry							
Agriculture	-	-	9	17,362	76	1,364	18,811
Forestry, fishing and mining	-	-	8	1,122	5	914	2,049
Business and property services	-	-	16	9,504	42	2,499	12,061
Construction	-	-	-	1,214	5	935	2,154
Entertainment, leisure and tourism	-	-	25	1,026	5	238	1,294
Finance and insurance	1,947	5,526	10,061	972	322	1,426	20,254
Government and local authority[1]	1,309	6,857	630	1,256	6	1,305	11,363
Manufacturing	-	25	177	3,030	13	2,067	5,312
Personal lending	-	-	-	54,751	241	15,106	70,098
Retail trade	-	-	20	2,029	9	968	3,026
Transport and storage	-	12	31	1,484	7	730	2,264
Wholesale trade	-	-	15	1,384	6	1,290	2,695
Other[2]	-	102	412	1,835	8	1,736	4,093
	3,256	12,522	11,404	96,969	745	30,578	155,474
Less: Provision for credit impairment	-	-	-	(561)	-	(105)	(666)
Less: Unearned income	-	-	-	(212)	-	-	(212)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	208	-	-	208
Total financial assets	3,256	12,522	11,404	96,404	745	30,473	154,804
Geography							
New Zealand	2,566	8,339	2,664	94,236	735	30,293	138,833
Overseas	690	4,183	8,740	2,168	10	180	15,971
Total financial assets	3,256	12,522	11,404	96,404	745	30,473	154,804

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

Notes to the Financial Statements

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.

	30/09/2015			30/09/2014		
NZ$ millions	**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						
Cash	**2,185**	**338**	**1,847**	1,618	309	1,309
Settlement balances receivable	**309**	**134**	**175**	855	746	109
Collateral paid	**1,929**	**-**	**1,929**	783	-	783
Trading securities	**12,139**	**-**	**12,139**	11,750	-	11,750
Derivative financial instruments	**17,658**	**1,687**	**15,971**	11,404	800	10,604
Available-for-sale assets	**1,428**	**-**	**1,428**	772	-	772
Net loans and advances	**106,454**	**95,560**	**10,894**	96,404	85,947	10,457
Other financial assets	**757**	**382**	**375**	745	380	365
Credit related commitments	**34,778**	**20,086**	**14,692**	30,473	15,340	15,133
Total exposure to credit risk	**177,637**	**118,187**	**59,450**	154,804	103,522	51,282

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 or 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.

Notes to the Financial Statements

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.

	30/09/2015				30/09/2014			
NZ$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
Strong risk rating	49,020	1,285	23,051	73,356	41,515	1,428	21,804	64,747
Satisfactory risk rating	6,754	3,021	19,192	28,967	7,530	2,721	17,040	27,291
Substandard but not past due or impaired	575	382	1,389	2,346	580	313	1,254	2,147
Total neither past due nor impaired	56,349	4,688	43,632	104,669	49,625	4,462	40,098	94,185
Past due but not impaired:								
1 to 5 days	297	110	454	861	342	121	580	1,043
6 to 29 days	188	92	99	379	198	91	190	479
1 to 29 days	485	202	553	1,240	540	212	770	1,522
30 to 59 days	101	37	88	226	133	31	116	280
60 to 89 days	73	18	11	102	63	16	52	131
90 days and over	103	32	62	197	88	30	32	150
Total past due but not impaired	762	289	714	1,765	824	289	970	2,083
Total impaired assets	97	32	253	382	189	35	410	634
Gross loans and advances	57,208	5,009	44,599	106,816	50,638	4,786	41,478	96,902

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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

Traded market risks

NZ$ millions	30/09/2015 Value at risk at 99% confidence Period end	High for year	Low for year	Average for year	30/09/2014 Value at risk at 99% confidence Period end	High for year	Low for year	Average for year
Foreign exchange risk	**0.6**	**1.1**	**-**	**0.3**	0.3	1.1	-	0.4
Interest rate risk	**2.4**	**5.1**	**1.0**	**2.1**	1.5	3.1	0.9	1.8
Credit spread risk	**0.7**	**0.7**	**0.2**	**0.4**	0.3	0.6	0.1	0.3
Diversification benefit	**(2.0)**	**n/a**	**n/a**	**(0.7)**	(0.6)	n/a	n/a	(0.7)
Total VaR	**1.7**	**4.9**	**1.0**	**2.1**	1.5	3.3	0.9	1.8

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.

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

NZ$ millions	Period end	High for year	Low for year	Average for year
30/09/2015				
Value at risk at 99% confidence	**7.4**	**12.4**	**7.3**	**10.1**
30/09/2014				
Value at risk at 99% confidence	10.7	10.7	8.0	8.9

Notes to the Financial Statements

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.

	30/09/2015	30/09/2014
Impact of 1% rate shock		
Period end	**1.7%**	1.1%
Maximum exposure	**2.3%**	1.9%
Minimum exposure	**0.2%**	0.8%
Average exposure (in absolute terms)	**1.1%**	1.3%

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.

NZ$ millions	Total	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Not bearing interest
30/09/2015							
Assets							
Cash	2,380	2,185	-	-	-	-	195
Settlement balances receivable	309	141	-	-	-	-	168
Collateral paid	1,929	1,929	-	-	-	-	-
Trading securities	12,139	1,280	731	789	863	8,476	-
Derivative financial instruments	17,658	-	-	-	-	-	17,658
Available-for-sale assets	1,428	1,178	-	-	-	248	2
Net loans and advances	106,357	57,459	6,373	15,238	19,900	7,844	(457)
Other financial assets	757	-	113	33	-	5	606
Total financial assets	142,957	64,172	7,217	16,060	20,763	16,573	18,172
Liabilities							
Settlement balances payable	1,844	871	-	-	-	-	973
Collateral received	1,687	1,687	-	-	-	-	-
Deposits and other borrowings	90,678	61,191	9,586	9,507	2,103	1,575	6,716
Derivative financial instruments	17,230	-	-	-	-	-	17,230
Debt issuances	19,403	6,001	1,587	-	2,498	9,317	-
Subordinated debt	2,343	-	1,014	-	-	1,329	-
Other financial liabilities	962	101	-	-	6	256	599
Total financial liabilities	134,147	69,851	12,187	9,507	4,607	12,477	25,518
Hedging instruments	-	34,623	(20,949)	(1,214)	(11,354)	(1,106)	-
Interest sensitivity gap	8,810	28,944	(25,919)	5,339	4,802	2,990	(7,346)

Notes to the Financial Statements

NZ$ millions	Total	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Not bearing interest
30/09/2014							
Assets							
Cash	1,822	1,618	-	-	-	-	204
Settlement balances receivable	855	53	-	-	-	-	802
Collateral paid	783	783	-	-	-	-	-
Trading securities	11,750	1,388	304	1,631	418	8,009	-
Derivative financial instruments	11,404	-	-	-	-	-	11,404
Available-for-sale assets	772	262	10	250	-	248	2
Net loans and advances	96,299	54,390	6,201	10,603	16,408	9,148	(451)
Other financial assets	745	137	35	18	-	-	555
Total financial assets	124,430	58,631	6,550	12,502	16,826	17,405	12,516
Liabilities							
Settlement balances payable	2,296	512	-	-	-	-	1,784
Collateral received	800	800	-	-	-	-	-
Deposits and other borrowings	84,019	55,782	10,852	7,566	2,371	1,447	6,001
Derivative financial instruments	10,205	-	-	-	-	-	10,205
Debt issuances	17,042	5,149	267	1,971	2,811	6,844	-
Subordinated debt	1,144	-	309	-	-	835	-
Payables and other liabilities	833	131	-	10	6	146	540
Total financial liabilities	116,339	62,374	11,428	9,547	5,188	9,272	18,530
Hedging instruments	-	7,532	2,598	3,867	(11,308)	(2,689)	-
Interest sensitivity gap	8,091	3,789	(2,280)	6,822	330	5,444	(6,014)

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 2015 was $2 million (30/09/2014 $2 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.

NZ$ millions	**30/09/2015**	30/09/2014
Net open position		
Australian dollar	**(1)**	4
Euro	**(13)**	37
Japanese yen	**(4)**	9
US dollar	**34**	(14)
Swiss franc	**-**	(37)
Other	**6**	1
Total net open position	**22**	-

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 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 normal conditions, name crisis and funding market disruption.

Normal conditions: reflects the normal behaviour of cash flows in the ordinary course of business. The Banking Group must manage its short and long term wholesale funding to ensure there are no undue maturity concentrations within the wholesale funding profile over the following three months. Limits are applied within the three month period based on a combination of the Banking Group's demonstrated and assumed wholesale funding capacity.

Name-crisis: refers to a potential severe 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 have sufficient high quality liquid assets to meet its liquidity needs for the following 30 calendar days under this scenario.

Funding market disruption: The global financial crisis highlighted the importance of differentiating between a name specific crisis and the different behaviour that domestic and offshore funding markets can exhibit during market disruption events. Under the liquidity policy, the Banking Group must be able to meet its wholesale maturities under a scenario of protracted stress in domestic and offshore wholesale funding markets over a period of six months.

As of 30 September 2015 the Banking Group was in compliance with 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.

Notes to the Financial Statements

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by regular updates and is linked to the Banking Group's three year strategic planning cycle.

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.

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

Funding composition

NZ$ millions	30/09/2015	30/09/2014
Customer deposits[1]		
New Zealand	**75,408**	67,759
Overseas	**9,462**	8,596
Total customer deposits	**84,870**	76,355
Wholesale funding		
Debt issuances	**19,403**	17,042
Subordinated debt	**2,343**	1,144
Certificates of deposit	**745**	1,376
Commercial paper	**4,964**	6,057
Other borrowings	**99**	231
Total wholesale funding	**27,554**	25,850
Total funding	**112,424**	102,205
Concentrations of funding by industry		
Agriculture	**2,871**	2,996
Forestry, fishing and mining	**656**	544
Business and property services	**6,304**	5,576
Construction	**1,283**	1,044
Entertainment, leisure and tourism	**1,021**	922
Finance and insurance	**35,331**	35,327
Government and local authority	**2,910**	2,434
Manufacturing	**1,913**	1,458
Households	**55,239**	47,600
Retail trade	**1,064**	994
Transport and storage	**745**	772
Wholesale trade	**1,312**	1,029
Other[2]	**1,775**	1,509
Total funding	**112,424**	102,205
Concentrations of funding by geography		
New Zealand	**81,635**	72,969
Australia	**1,016**	1,321
United States	**12,332**	11,518
Europe	**10,388**	10,464
Other countries	**7,053**	5,933
Total funding	**112,424**	102,205

[1] Represents term deposits, other deposits bearing interest, deposits not bearing interest and UDC secured investments.
[2] Other includes exposures to electricity, gas and water, communications and personal services.

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

NZ$ millions	30/09/2015	30/09/2014
Cash and balances with central banks	**2,069**	1,309
Certificates of deposit	**468**	159
Government, local body stock and bonds	**5,063**	6,318
Government treasury bills	**1,155**	380
Reserve Bank bills	**799**	-
Other bonds	**5,930**	5,135
Total liquidity portfolio	**15,484**	13,301

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 2015 the Banking Group would be eligible to enter into repurchase transactions with a value of NZ$12,837 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 NZ$6,046 million at 30 September 2015.

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 mark-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.

30/09/2015 NZ$ millions	Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	2,380	2,041	339	-	-	-	-
Settlement balances receivable	309	140	169	-	-	-	-
Collateral paid	1,929	-	1,929	-	-	-	-
Trading securities	13,180	-	516	1,929	9,710	1,025	-
Derivative financial assets (trading)	16,432	-	16,432	-	-	-	-
Available-for-sale assets	1,454	-	1,078	11	363	-	2
Net loans and advances	141,418	252	15,399	16,397	49,731	59,639	-
Other financial assets	331	-	180	146	5	-	-
Total financial assets	177,433	2,433	36,042	18,483	59,809	60,664	2
Financial liabilities							
Settlement balances payable	1,803	1,188	615	-	-	-	-
Collateral received	1,687	-	1,687	-	-	-	-
Deposits and other borrowings	92,249	48,429	18,784	20,926	4,110	-	-
Derivative financial liabilities (trading)	14,700	-	14,700	-	-	-	-
Debt issuances	20,315	-	2,217	3,207	13,498	1,393	-
Subordinated debt	2,808	-	11	33	690	1,228	846
Other financial liabilities	547	-	176	9	107	255	-
Total financial liabilities	134,109	49,617	38,190	24,175	18,405	2,876	846
Derivative financial instruments used for balance sheet management							
- gross inflows	16,190	-	1,884	2,881	9,480	1,945	-
- gross outflows	(17,123)	-	(1,909)	(3,049)	(10,166)	(1,999)	-
Net financial assets / (liabilities) after balance sheet management	42,391	(47,184)	(2,173)	(5,860)	40,718	57,734	(844)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	514	59	455
Credit related commitments	32,421	32,421	-
Contingent liabilities	2,454	2,454	-
Total	35,389	34,934	455

Notes to the Financial Statements

30/09/2014 NZ$ millions	Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	1,822	1,513	309	-	-	-	-
Settlement balances receivable	855	514	341	-	-	-	-
Collateral paid	783	-	783	-	-	-	-
Trading securities	13,325	-	818	2,491	8,172	1,844	-
Derivative financial assets (trading)	10,736	-	10,736	-	-	-	-
Available-for-sale assets	826	-	163	279	382	-	2
Net loans and advances	135,691	350	15,607	15,900	45,713	58,121	-
Other financial assets	319	-	266	53	-	-	-
Total financial assets	164,357	2,377	29,023	18,723	54,267	59,965	2
Financial liabilities							
Settlement balances payable	2,296	999	1,297	-	-	-	-
Collateral received	800	-	800	-	-	-	-
Deposits and other borrowings	85,550	40,270	20,109	20,913	4,258	-	-
Derivative financial liabilities (trading)	9,353	-	9,353	-	-	-	-
Debt issuances	17,935	-	1,014	3,184	13,116	621	-
Subordinated debt	1,754	-	14	42	241	313	1,144
Other financial liabilities	405	-	172	17	61	155	-
Total financial liabilities	118,093	41,269	32,759	24,156	17,676	1,089	1,144
Derivative financial instruments used for balance sheet management							
- gross inflows	15,953	-	2,700	2,884	9,485	884	-
- gross outflows	(15,957)	-	(2,617)	(2,840)	(9,600)	(900)	-
Net financial assets / (liabilities) after balance sheet management	46,260	(38,892)	(3,653)	(5,389)	36,476	58,860	(1,142)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	483	102	381
Credit related commitments	28,142	28,142	-
Contingent liabilities	2,436	2,436	-
Total	31,061	30,680	381

Notes to the Financial Statements

18. Classification of Financial Instruments and Fair Value Measurements

NZ$ millions	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total carrying amount	Fair value
		Designated on initial recognition	Held for trading				
30/09/2015							
Cash	**2,380**	-	-	-	-	**2,380**	**2,380**
Settlement balances receivable	**309**	-	-	-	-	**309**	**309**
Collateral paid	**1,929**	-	-	-	-	**1,929**	**1,929**
Trading securities	-	-	**12,139**	-	-	**12,139**	**12,139**
Derivative financial instruments[1]	-	-	**17,062**	**596**	-	**17,658**	**17,658**
Available-for-sale assets	-	-	-	-	**1,428**	**1,428**	**1,428**
Net loans and advances[2]	**106,357**	-	-	-	-	**106,357**	**106,854**
Other financial assets	**606**	**151**	-	-	-	**757**	**757**
Total financial assets	**111,581**	**151**	**29,201**	**596**	**1,428**	**142,957**	**143,454**
Settlement balances payable	**1,844**	-	-	-	-	**1,844**	**1,844**
Collateral received	**1,687**	-	-	-	-	**1,687**	**1,687**
Deposits and other borrowings	**85,714**	**4,964**	-	-	-	**90,678**	**90,832**
Derivative financial instruments[1]	-	-	**16,488**	**742**	-	**17,230**	**17,230**
Debt issuances[2]	**19,403**	-	-	-	-	**19,403**	**19,516**
Subordinated debt	**2,343**	-	-	-	-	**2,343**	**2,288**
Other financial liabilities	**653**	-	**309**	-	-	**962**	**962**
Total financial liabilities	**111,644**	**4,964**	**16,797**	**742**	-	**134,147**	**134,359**
30/09/2014							
Cash	1,822	-	-	-	-	1,822	1,822
Settlement balances receivable	855	-	-	-	-	855	855
Collateral paid	783	-	-	-	-	783	783
Trading securities	-	-	11,750	-	-	11,750	11,750
Derivative financial instruments[1]	-	-	11,089	315	-	11,404	11,404
Available-for-sale assets	-	-	-	-	772	772	772
Net loans and advances[2]	96,299	-	-	-	-	96,299	96,397
Other financial assets	555	190	-	-	-	745	745
Total financial assets	100,314	190	22,839	315	772	124,430	124,528
Settlement balances payable	2,296	-	-	-	-	2,296	2,296
Collateral received	800	-	-	-	-	800	800
Deposits and other borrowings	77,962	6,057	-	-	-	84,019	84,042
Derivative financial instruments[1]	-	-	10,033	172	-	10,205	10,205
Debt issuances[2]	17,042	-	-	-	-	17,042	17,225
Subordinated debt	1,144	-	-	-	-	1,144	1,137
Other financial liabilities	607	-	226	-	-	833	833
Total financial liabilities	99,851	6,057	10,259	172	-	116,339	116,538

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 debt issuances. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

Notes to the Financial Statements

Measurement of fair value

Valuation methodologies

The Banking Group has an established control framework that ensures fair value is either determined or validated by a function independent of the party that undertakes the transaction. The control framework ensures that all models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data.

Where quoted market prices are used, prices are independently verified from other sources. For fair values determined using a valuation model, the control framework may include, as applicable, independent development or validation of valuation models, any inputs to those models, any adjustments required outside of the valuation model and, where possible, independent validation of model outputs. In this way, continued appropriateness of the valuations is ensured.

In instances where the Banking Group holds offsetting risk positions, the Banking Group uses the portfolio exemption in NZ IFRS 13 *Fair Value Measurement* to measure the fair value of such groups of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure.

The Group categorises its fair value measurements on the basis of inputs used in measuring fair value using the fair value hierarchy below:

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.
- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

Valuation techniques and inputs used

In the event that there is no quoted market price for the instrument, fair value is based on valuation techniques. The valuation models incorporate the impact of bid/ask spreads, counterparty credit spreads, funding costs and other factors that would influence the fair value determined by market participants.

The majority of valuation techniques employ only observable market data. However, for certain financial instruments the valuation technique may employ some data (valuation inputs or components) which is not readily observable in the current market. In these cases valuation inputs (or components of the overall value) are derived and extrapolated from other relevant market data and tested against historic transactions and observed market trends. To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation.

The following valuation techniques have been applied to determine the fair values of financial instruments where there is no quoted price (level1) for the instrument:

- For instruments classified as trading securities and securities short sold, derivative financial assets and liabilities, available-for-sale assets, and investments backing insurance contract liabilities, fair value measurements are derived by using modelled valuations techniques (including discounted cash flow models) that incorporate market prices / yields for securities with similar credit risk, maturity and yield characteristics; and/or current market yields for similar instruments.
- For net loans and advances, deposits and other borrowings and debt issuances, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.
- The Banking Group holds units in an unlisted fund, included in available-for sale assets which does not trade in an active market. The fair value of these units is based on the estimated cashflows from the realisation of the underlying assets.

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

Notes to the Financial Statements

Valuation hierarchy for financial assets and financial liabilities measured at fair value

NZ$ millions	30/09/2015 Level 1	Level 2	Level 3	Total	30/09/2014 Level 1	Level 2	Level 3	Total
Financial assets								
Trading securities	11,880	259	-	12,139	11,659	91	-	11,750
Derivative financial instruments	12	17,646	-	17,658	2	11,402	-	11,404
Available-for-sale assets[1]	900	526	2	1,428	712	58	2	772
Investments backing insurance contract liabilities[1]	2	149	-	151	129	61	-	190
Total	12,794	18,580	2	31,376	12,502	11,612	2	24,116
Financial liabilities								
Deposits and other borrowings	-	4,964	-	4,964	-	6,057	-	6,057
Derivative financial instruments	19	17,211	-	17,230	5	10,200	-	10,205
Other financial liabilities	309	-	-	309	226	-	-	226
Total	328	22,175	-	22,503	231	16,257	-	16,488

Valuation hierarchy for financial assets and financial liabilities not measured at fair value[2]

NZ$ millions	30/09/2015 Level 1	Level 2	Level 3	Total	30/09/2014 Level 1	Level 2	Level 3	Total
Financial assets								
Net loans and advances	-	102,945	3,909	106,854	-	92,493	3,904	96,397
Financial liabilities								
Deposits and other borrowings	-	85,868	-	85,868	-	77,985	-	77,985
Debt issuances	638	18,878	-	19,516	-	17,225	-	17,225
Subordinated debt	1,363	925	-	2,288	828	309	-	1,137
Total	2,001	105,671	-	107,672	828	95,519	-	96,347

1 During the period, available-for-sale assets of NZ$159 million and Investments backing insurance contract liabilities of NZ$126 million were reclassified from Level 1 to Level 2 following a reassessment of available pricing information. Transfers into and out of Level 1 and Level 2 are deemed to have occurred as of the beginning of the reporting period in which the transfer occurred.

2 Fair values, where the carrying amount is not considered a close approximation of fair value.

19. Maturity Analysis of Assets and Liabilities

The following is an analysis of asset and liability line items in the balance sheet that combine amounts expected to be realised or due to be settled within one year and after more than one year.

NZ$ millions	30/09/2015 within one year	after more than one year	Total	30/09/2014 within one year	after more than one year	Total
Assets						
Investment backing insurance contract liabilities	146	5	151	190	-	190
Available-for-sale assets	1,071	357	1,428	437	335	772
Net loans and advances	26,967	79,390	106,357	26,451	69,848	96,299
Other assets	657	83	740	588	60	648
Liabilities						
Deposits and other borrowings	87,000	3,678	90,678	80,201	3,818	84,019
Payables and other liabilities	1,379	108	1,487	1,238	59	1,297
Provisions	95	96	191	117	87	204
Debt issuances	5,237	14,166	19,403	3,944	13,098	17,042

Notes to the Financial Statements

20. Assets Charged as Security for Liabilities and Collateral Accepted as Security for Assets

Assets charged as security for liabilities[1]

The carrying amounts of assets pledged as security are as follows:

	Carrying Amount		Related Liability	
NZ$ millions	**30/09/2015**	30/09/2014	**30/09/2015**	30/09/2014
Securities sold under agreements to repurchase	**47**	47	**47**	47
Residential mortgages pledged as security for covered bonds	**7,547**	7,283	**5,335**	3,928
Assets pledged as collateral for UDC secured investments	**2,441**	2,354	**1,736**	1,569

UDC secured investments are constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. UDC Finance Limited has granted a charge over all its assets and undertaking, primarily net loans and advances, in favour of the Trustee.

Collateral accepted as security for assets[1]

The Banking Group has received collateral in relation to reverse repurchase agreements. These transactions are governed by standard industry agreements.

The fair value of collateral received and sold or repledged is as follows:

NZ$ millions	**30/09/2015**	30/09/2014
Collateral received on standard reverse repurchase agreements		
Fair value of assets which can be sold	**339**	308
Fair value of assets sold or repledged	**269**	216

[1] Excludes the amounts disclosed as collateral paid and received in the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of the collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

Notes to the Financial Statements

21. Offsetting

The following information relates to financial assets and liabilities which have not been set off in the balance sheet but for which the Banking Group has enforceable master netting agreements in place with counterparties. No financial assets and liabilities have been set off in the balance sheet.

NZ$ millions	Gross amounts presented in the balance sheet	Related amounts not offset [1]		Net amounts
		Financial instruments	Cash collateral	
30/09/2015				
Financial assets				
Collateral paid	**1,139**	**-**	**(1,112)**	**27**
Trading securities [2]	**47**	**(47)**	**-**	**-**
Derivative financial instruments	**7,007**	**(6,201)**	**(781)**	**25**
Financial liabilities				
Collateral received	**960**	**-**	**(781)**	**179**
Securities sold under agreements to repurchase [3]	**47**	**(47)**	**-**	**-**
Derivative financial instruments	**7,349**	**(6,201)**	**(1,112)**	**36**
30/09/2014				
Financial assets				
Collateral paid	284	-	(182)	102
Trading securities [2]	47	(47)	-	-
Derivative financial instruments	8,482	(7,606)	(716)	160
Financial liabilities				
Collateral received	753	-	(716)	37
Securities sold under agreements to repurchase [3]	47	(47)	-	-
Derivative financial instruments	7,858	(7,606)	(182)	70

[1] The Banking Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Banking Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non payment or default and, as a result, these arrangements do not qualify for offsetting under NZ IAS 32 *Financial Instruments: Presentation*.

[2] This is the amount of trading securities encumbered through repurchase agreements, see financial assets pledged as collateral table in this note.

[3] Included in deposits from banks, see note 14.

Notes to the Financial Statements

22. Credit Related Commitments, Guarantees and Contingent Liabilities

	Face or contract value	
NZ$ millions	30/09/2015	30/09/2014
Credit related commitments		
Commitments with certain drawdown due within one year	**1,130**	764
Commitments to provide financial services	**31,291**	27,378
Total credit related commitments	**32,421**	28,142
Guarantees and contingent liabilities		
Financial guarantees	**920**	925
Standby letters of credit	**82**	79
Transaction related contingent items	**1,385**	1,321
Trade related contingent liabilities	**67**	111
Total guarantees and contingent liabilities	**2,454**	2,436

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

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.

Notes to the Financial Statements

23. Other Assets

NZ$ millions	30/09/2015	30/09/2014
Accrued interest and prepaid discounts	426	426
Accrued commission	22	19
Share-based payments asset	83	60
Prepaid expenses	24	15
Other assets	185	128
Total other assets	740	648

24. Goodwill and Other Intangible Assets

NZ$ millions	30/09/2015	30/09/2014
Goodwill	3,233	3,233
Software	139	96
Other intangibles	120	125
Total goodwill and other intangible assets	3,492	3,454

25. Payables and Other Liabilities

NZ$ millions	30/09/2015	30/09/2014
Creditors	121	58
Accrued interest and unearned discounts	479	488
Defined benefit schemes deficit	43	20
Share-based payments liability	65	39
Accrued charges	240	227
Security settlements and short sales	309	226
Life insurance contract liabilities - reinsurance	107	104
Liability for acceptances	52	67
Other liabilities	71	68
Total payables and other liabilities	1,487	1,297

26. Provisions

NZ$ millions	30/09/2015	30/09/2014
Employee annual and long service leave	129	114
Other[1]	62	90
Total provisions	191	204

[1] Includes provisions for surplus leased space, make-good of leased premises, seismic obligations, and restructuring costs.

Notes to the Financial Statements

27. Share Capital

	Number of issued shares		NZ$ millions	
	30/09/2015	30/09/2014	**30/09/2015**	30/09/2014
Ordinary shares				
At beginning of the year	**2,670,755,498**	1,700,755,498	**7,913**	6,943
Issued during the year	**675,000,000**	970,000,000	**675**	970
Ordinary shares at end of the year	**3,345,755,498**	2,670,755,498	**8,588**	7,913
Preference shares				
At beginning of the year	**300,000,000**	300,000,000	**300**	300
Preference shares at end of the year	**300,000,000**	300,000,000	**300**	300
Total share capital	**3,645,755,498**	2,970,755,498	**8,888**	8,213

Ordinary shares

650,712 of the ordinary shares are uncalled (30/09/2014 650,712 shares uncalled).

During the year ended 30 September 2015 the Bank paid ordinary dividends of NZ$1,745 million (30/09/2014 NZ$2,340 million) to the Immediate Parent Company (equivalent to NZ$0.65 per share) (30/09/2014 equivalent to NZ$1.20 per share).

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 dividend on the preference shares is not paid.

Should the Bank elect to pay a dividend, the dividend is based on a floating rate equal to the aggregate of the New Zealand 6 month bank bill rate plus a 325 basis point margin, multiplied by one minus the New Zealand company tax rate, 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 and ANZ capital notes 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 1 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 1, tier 1 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.

Basel III capital ratios	Banking Group		Bank	
	30/09/2015	30/09/2014	**30/09/2015**	30/09/2014
Unaudited				
Common equity tier 1 capital	**10.5%**	10.7%	**9.4%**	9.4%
Tier 1 capital	**12.7%**	11.1%	**11.8%**	9.8%
Total capital	**13.6%**	12.3%	**12.7%**	11.1%
Buffer ratio	**5.6%**	4.3%		
RBNZ minimum ratios:				
Common equity tier 1 capital	**4.5%**	4.5%		
Tier 1 capital	**6.0%**	6.0%		
Total capital	**8.0%**	8.0%		
Buffer requirement	**2.5%**	2.5%		

Notes to the Financial Statements

Capital of the Banking Group

NZ$ millions	Note	Unaudited 30/09/2015
Tier 1 capital		
Common equity tier 1 capital		
Paid up ordinary shares issued by the Bank	27	8,588
Retained earnings (net of appropriations)		3,575
Accumulated other comprehensive income and other disclosed reserves		(10)
Less deductions from common equity tier 1 capital		
Goodwill and intangible assets, net of associated deferred tax liabilities		(3,479)
Cash flow hedge reserve		10
Expected losses to the extent greater than total eligible allowances for impairment		(243)
Common equity tier 1 capital		8,441
Additional tier 1 capital		
Preference shares	27	300
ANZ Capital Notes	16	1,503
Capital attributable to The Bonus Bonds Trust investors		38
Additional tier 1 capital		1,841
Total tier 1 capital		10,282
Tier 2 capital		
Qualifying tier 2 capital instruments subject to phase-put under RBNZ Basel III transition arrangements		
NZD 835,000,000 perpetual subordinated bond	16	835
Less deductions from tier 2 capital		
Basel III transition adjustment[1]		(133)
Total tier 2 capital		702
Total capital		10,984

Capital requirements of the Banking Group

NZ$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[2]	Total capital requirement
Unaudited 30/09/2015			
Exposures subject to internal ratings based approach	147,803	57,638	4,611
Specialised lending exposures subject to slotting approach	10,071	9,312	745
Exposures subject to standardised approach	2,178	361	29
Equity exposures	6	27	2
Other exposures	3,494	1,540	123
Total credit risk	163,552	68,878	5,510
Operational risk	n/a	5,649	452
Market risk	n/a	6,135	490
Total	163,552	80,662	6,452

[1] Certain instruments issued by the Bank qualify as tier 2 capital instruments subject to phase-out under RBNZ Basel III transition arrangements. Fixing the base at the nominal amount of such instruments outstanding at 31 December 2012, their recognition is capped at 60% of that base from 1 January 2015; 40% from 1 January 2016; 20% from 1 January 2017; and from 1 January 2018 onwards these instruments will not be included in regulatory capital.

[2] Total credit risk weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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 NZ$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
Bank	Qualifying Central Counterparty (QCCP)	Required by Basel III	Standardised

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

Unaudited 30/09/2015	Total exposure or principal amount NZ$m	Exposure at default NZ$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
On-balance sheet exposures						
Corporate	35,967	36,157	37	56	21,636	1,730
Sovereign	10,636	10,603	5	1	107	8
Bank	6,881	5,406	63	24	1,358	109
Retail mortgages	57,245	57,476	20	24	14,531	1,163
Other retail	4,971	5,075	76	97	5,220	418
Total on-balance sheet exposures	115,700	114,717	29	35	42,852	3,428
Off-balance sheet exposures						
Corporate	12,078	9,967	51	50	5,234	419
Sovereign	130	75	5	1	1	-
Bank	1,433	1,150	48	16	192	15
Retail mortgages	7,934	8,304	18	17	1,476	118
Other retail	5,717	5,520	79	56	3,261	261
Total off-balance sheet exposures	27,292	25,016	46	38	10,164	813
Market related contracts						
Corporate	133,997	2,564	60	81	2,208	177
Sovereign	11,742	853	5	29	259	21
Bank	825,952	4,653	63	44	2,155	172
Total market related contracts	971,691	8,070	56	54	4,622	370
Total credit risk exposures subject to the IRB approach	1,114,683	147,803	33	37	57,638	4,611

Notes to the Financial Statements

IRB exposures by customer credit rating

Unaudited 30/09/2015	Probability of default %	Exposure at default NZ$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
Corporate						
0 - 2	0.05	6,205	63	37	2,452	196
3 - 4	0.32	24,794	38	43	11,283	903
5	1.03	10,598	38	67	7,582	607
6	2.25	5,261	38	86	4,809	385
7 - 8	7.98	1,405	42	151	2,256	180
Default	100.00	425	45	154	696	55
Total corporate exposures	1.74	48,688	41	56	29,078	2,326
Sovereign						
0	0.01	11,421	5	3	365	29
1 - 8	0.01	110	5	2	2	-
Total sovereign exposures	0.01	11,531	5	3	367	29
Bank						
0	0.03	74	65	21	17	1
1	0.03	9,858	61	29	3,065	245
2 - 4	0.09	1,259	62	45	600	48
5 - 8	1.37	18	62	121	23	2
Total bank exposures	0.04	11,209	61	31	3,705	296
Retail mortgages						
0 - 3	0.20	15,253	12	5	786	63
4	0.46	23,521	19	15	3,673	294
5	0.92	20,966	25	33	7,258	581
6	2.02	5,189	28	64	3,545	284
7 - 8	5.27	506	29	108	578	46
Default	100.00	345	24	46	167	13
Total retail mortgages exposures	1.23	65,780	20	23	16,007	1,281
Other retail						
0 - 2	0.10	617	77	50	324	26
3 - 4	0.26	4,548	78	54	2,617	209
5	1.00	1,918	72	71	1,452	116
6	2.39	1,888	77	94	1,889	151
7 - 8	8.79	1,546	85	130	2,133	171
Default	100.00	78	78	81	66	6
Total other retail exposures	2.74	10,595	78	76	8,481	679
Total credit risk exposures subject to the IRB approach	1.32	147,803	33	37	57,638	4,611

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

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Unaudited 30/09/2015	Exposure at default NZ$m	Risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
On-balance sheet exposures				
Strong	2,706	70	2,008	161
Good	5,270	90	5,028	402
Satisfactory	702	115	856	69
Weak	77	250	200	16
Default	78	-	-	-
Total on-balance sheet exposures	8,833	86	8,092	648

	Exposure amount NZ$m	Exposure at default NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	1,533	1,124	87	1,043	83
Market related contracts	2,170	114	146	177	14
Total off-balance sheet exposures	3,703	1,238	93	1,220	97

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

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

Credit risk exposures subject to the standardised approach

Unaudited 30/09/2015	Exposure at default NZ$m	Risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
On-balance sheet exposures				
Corporates	55	100	58	5
Default	1	150	1	-
Total on-balance sheet exposures	56	101	59	5

	Exposure amount NZ$m	Average credit conversion factor %	Exposure at default NZ$m	Average risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	532	47	249	99	262	21
Market related contracts	493,361	-	1,873	2	40	3
Total off balance sheet	493,893	n/a	2,122	13	302	24

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

Notes to the Financial Statements

Equity exposures

Unaudited 30/09/2015	Exposure at default NZ$m	Risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
All equity holdings not deducted from capital	6	400	27	2

Equity exposures have been calculated in accordance with BS2B.

Other exposures

Unaudited 30/09/2015	Exposure at default NZ$m	Risk weight %	Risk weighted exposure NZ$m	Total capital requirement NZ$m
Cash	195	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,847	-	-	-
Other assets	1,452	100	1,540	123
Total other IRB credit risk exposures	3,494	42	1,540	123

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 2015, under the IRB approach, the Banking Group had NZ$1,150 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 2015 the Banking Group had an implied risk weighted exposure of NZ$5,649 million for operational risk and an operational risk capital requirement of NZ$452 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.

Notes to the Financial Statements

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 2015.

	Implied risk weighted exposure		Aggregate capital charge		Peak
NZ$ millions	Period end	Peak	Period end	Peak	occurred on
Unaudited 30/09/2015					
Interest rate risk	**6,092**	**10,062**	**487**	**805**	**6/07/2015**
Foreign currency risk	**41**	**132**	**3**	**11**	**20/04/2015**
Equity risk	**2**	**2**	**-**	**-**	**30/09/2015**
	6,135		**490**		

Capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is NZ$479 million (30/09/2014 NZ$485 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating pension risk and business retention risk) were applied in March 2015 and prior periods restated accordingly.

Capital adequacy of the Ultimate Parent Bank

Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	30/09/2015	30/09/2014	**30/09/2015**	30/09/2014
Unaudited				
Common equity tier 1 capital	**9.6%**	8.8%	**9.6%**	9.1%
Tier 1 capital	**11.3%**	10.7%	**11.6%**	11.3%
Total capital	**13.3%**	12.7%	**13.7%**	13.4%

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

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 30 September 2015 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2015. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 September 2015, 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.

Notes to the Financial Statements

Residential mortgages by loan-to-valuation ratio

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

Unaudited NZ$ millions	30/09/2015 On-balance sheet	Off-balance sheet	Total
LVR range			
Does not exceed 60%	21,702	4,136	25,838
Exceeds 60% and not 70%	11,337	1,377	12,714
Exceeds 70% and not 80%	17,797	1,933	19,730
Does not exceed 80%	50,836	7,446	58,282
Exceeds 80% and not 90%	4,320	232	4,552
Exceeds 90%	2,089	256	2,345
Total	57,245	7,934	65,179

Reconciliation of mortgage related amounts

Unaudited NZ$ millions	Note	30/09/2015
Term loans - housing	12	59,428
Less: fair value hedging adjustment		(165)
Add: short-term housing loans classified as overdrafts		476
Less: housing loans made to corporate customers		(2,531)
Gross retail mortgage loans	17	57,208
Add: Unsettled re-purchases of mortgages from the NZ Branch		37
On-balance sheet retail mortgage exposures subject to the IRB approach		57,245
Add: off-balance sheet retail mortgage exposures subject to the IRB approach		7,934
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)		65,179

Notes to the Financial Statements

29. Subsidiaries

The following table lists the principal subsidiaries of the Bank. Principal subsidiaries are those that have transactions or balances with parties outside the Banking Group. All subsidiaries are 100% owned and incorporated in New Zealand unless stated otherwise.

Principal subsidiaries	Nature of business
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Securities Limited	On-line share broker
ANZNZ Covered Bond Trust[1]	Securitisation entity
Arawata Assets Limited	Property
Arawata Finance Limited	Investment
AUT Investments Limited	Investment
Karapiro Investments Limited	Investment
Kingfisher NZ Trust 2008-1[1]	Securitisation entity
OnePath Life (NZ) Limited	Insurance
UDC Finance Limited	Asset finance

[1] The Banking Group does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as the Banking Group retains substantially all the risks and rewards of the operations. Details of the Banking Group's interest in consolidated structured entities is included in note 30.

Notes to the Financial Statements

30. Structured Entities, Transferred Financial Assets, Fiduciary Activities and Insurance

Structured entities

The Banking Group's involvement with structured entities is mainly through securitisations and its funds management activities, which are outlined further below. The Banking Group has involvement with structured entities that may be established either by the Banking Group or by a third party.

Consolidated structured entities

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 2015 and 30 September 2014 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.

Unconsolidated securitisations

The Banking Group also has an interest in unconsolidated securitisation entities through the provision of funding facilities or holding bonds or notes issued by such entities. The Banking Group's exposure to these entities is not material.

Transferred financial assets

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. As at 30 September 2015, NZ$16,071 million of assets were held in the Kingfisher Trust and the Covered Bond Trust (30/09/2014 NZ$15,270 million).

Repurchase transactions

Securities sold subject to repurchase agreements are not derecognised when substantially all the risks and rewards of ownership remain with the Bank. See note 20 for details of securities sold under agreements to repurchase. The amount of trading securities encumbered through repurchase agreements is shown in note 21. The carrying amount of the associated liabilities is not materially different to the amount of trading securities subject to the repurchase agreement.

Notes to the Financial Statements

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 schemes, unit trusts and the provision of private banking services to customers. 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 2015, NZ$3,100 million of funds under management were invested in the Banking Group's own products or securities (30/09/2014 NZ$2,928 million).

Custodial services

The Banking Group provides custodial services to customers in respect of assets that are beneficially owned by those customers.

NZ$ millions	30/09/2015	30/09/2014
Kiwisaver and other managed funds	**9,147**	7,205
The Bonus Bonds Trust	**3,277**	3,196
ANZ PIE Fund[1]	**794**	715
Other investment portfolios[2]	**9,522**	8,807
Total funds under management	**22,740**	19,923
Funds held in custody or as nominee on behalf of customers	**8,082**	7,427
Funds management fee income from structured entities	**137**	110

[1] The Banking Group established, and is considered to be the sponsor of, the ANZ PIE Fund. The ANZ PIE Fund invests only in deposits with the Bank. The Banking Group does not receive a management fee from, and does not have an interest in, the ANZ PIE Fund.
[2] These funds are not structured entities as they are investment portfolios managed on behalf of 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 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 (30/09/2014 nil).

Insurance business

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

OnePath Life 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 Life, or by third party insurance companies.

The Banking Group's aggregate amount of insurance business comprises the total consolidated assets of OnePath Life of NZ$884 million (30/09/2014 NZ$850 million), which is 0.6% (30/09/2014 0.7%) 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.

Notes to the Financial Statements

31. Related Party Disclosures

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 below 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, including the term of the loan, security required and the interest rate.

NZ$ thousands	Year to 30/09/2015	Year to 30/09/2014
Key management personnel compensation		
Salaries and short-term employee benefits	**12,698**	12,402
Post-employment benefits	**220**	387
Other long-term benefits	**77**	130
Share-based payments expense	**5,076**	5,400
Total compensation of key management personnel	**18,071**	18,319
Loans to and deposits held by key management personnel		
Loans to key management personnel	**4,020**	7,661
Deposits from key management personnel	**6,945**	5,035

Transactions with other related parties

The Bank and Banking Group undertake transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the Overseas Banking Group and associates.

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

NZ$ millions	Year to 30/09/2015	Year to 30/09/2014
Ultimate Parent Bank and subsidiaries not part of the Banking Group		
Interest income	**4**	3
Interest expense	**62**	28
Fee income	**23**	26
Gain / (loss) on sale of mortgages to the NZ Branch	**1**	(23)
Other operating income	**35**	116
Operating expenses	**64**	81
Mortgages sold to the NZ Branch	**1,891**	3,393
Immediate Parent Company		
Interest expense	**-**	8
Ordinary shares issued	**675**	970
Associates		
Interest expense	**3**	3
Share of associates' profit	**5**	3

Notes to the Financial Statements

Balances with related parties

NZ$ millions	30/09/2015	30/09/2014
Ultimate Parent Bank and subsidiaries not part of the Banking Group		
Cash	-	61
Settlement balances receivable	86	12
Collateral paid	-	125
Derivative financial instruments	4,006	3,747
Other assets	97	83
Immediate Parent Company		
Derivative financial instruments	2	-
Associates		
Investments in associates	4	88
Total due from related parties	4,195	4,116
Ultimate Parent Bank and subsidiaries not part of the Banking Group		
Settlement balances payable	476	424
Collateral received	688	-
Deposits and other borrowings	1	182
Derivative financial instruments	3,240	3,819
Payables and other liabilities	17	9
Subordinated debt	1,014	309
Immediate Parent Company		
Deposits and other borrowings	51	4
Derivative financial instruments	-	1
Payables and other liabilities	-	1
Associates		
Deposits and other borrowings	-	85
Total due to related parties	5,487	4,834

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:

NZ$ millions	30/09/2015	30/09/2014
Financial guarantees provided to the Ultimate Parent Bank	183	180
Undrawn credit commitments provided to the Immediate Parent Company	250	250

32. Capital Expenditure and Operating Lease Commitments

NZ$ millions	30/09/2015	30/09/2014
Contracts for outstanding capital expenditure		
Not later than 1 year	12	15
Future minimum lease payments under non-cancellable operating leases		
Not later than 1 year	47	87
Later than 1 year but not later than 5 years	258	203
Later than 5 years	197	178
Total operating lease commitments	502	468
Total commitments	514	483

Notes to the Financial Statements

33. Compensation of Auditors

NZ$ thousands	Year to 30/09/2015	Year to 30/09/2014
Compensation of auditors (KPMG New Zealand)		
Audit or review of financial statements[1]	**2,165**	2,197
Other services:		
Review of regulatory returns	**40**	96
Offer documents assurance or review	**155**	249
Other assurance services[2]	**187**	151
Total other services	**382**	496
Total compensation of auditors relating to the Banking Group	**2,547**	2,693
Compensation of auditors on behalf of related entities:		
Other members of ANZ New Zealand - audit of financial statements	**-**	5
Other related entities[3]	**121**	147
Total compensation of auditors	**2,668**	2,845

1 Includes fees for both the audit of the annual financial statements and reviews of interim financial statements.
2 Includes fees for controls reports, comfort letters and other agreed upon procedures engagements.
3 Amounts relate to the ANZ PIE Fund and The Bonus Bonds Trust and include fees for audits of annual financial statements and audits of summary financial statements for inclusion in offer documents, comfort letters and other agreed upon procedures engagements.

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.

Notes to the Financial Statements

34. 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 year ended 30 September 2015 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 1 capital) in respect of certain transactions which are the subject of a bilateral netting agreement.

This information has been derived in accordance with the Bank's conditions of registration, the RBNZ document *Connected Exposures Policy* (BS8). The exposures are net of individual credit impairment allowances and exclude advances to connected persons of a capital nature.

	30/09/2015		30/09/2014	
	Amount NZ$m	**% of Tier 1 Capital**	Amount NZ$m	% of Tier 1 Capital
Aggregate at end of year[1]				
Bank connected persons (on gross basis, before netting)	**7,907**	**76.9%**	7,318	90.0%
Less: amount netted off	**5,205**	**50.6%**	5,747	70.7%
Bank connected persons (on partial bilateral net basis)	**2,702**	**26.3%**	1,571	19.3%
Peak end-of-day for the year[2]				
Bank connected persons (on gross basis, before netting)	**8,491**	**82.6%**	6,510	80.1%
Less: amount netted off	**5,334**	**51.9%**	4,254	52.4%
Bank connected persons (on partial bilateral net basis)	**3,157**	**30.7%**	2,256	27.7%
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 2015, the gross exposures to the Immediate Parent Company were NZ$5 million (30/09/2014 NZ$6 million). As at 30 September 2015, the gross exposures to the Ultimate Parent Bank were NZ$7,902 million (30/09/2014 NZ$7,312 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 1 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 1 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 2015.

Notes to the Financial Statements

35. Risk Management Framework

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 17 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 through business unit 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 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.

Notes to the Financial Statements

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.

All audit activities are conducted in accordance with local and international auditing standards, and the results of the activities 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.

Historical Summary of Financial Statements

NZ$ millions	**Year to 30/09/2015**	Year to 30/09/2014	Year to 30/09/2013	Year to 30/09/2012	Year to 30/09/2011
Interest income	**6,926**	6,272	5,957	6,017	6,179
Interest expense	**4,051**	3,529	3,344	3,335	3,620
Net interest income	**2,875**	2,743	2,613	2,682	2,559
Non-interest income	**1,175**	1,085	823	1,006	856
Operating income	**4,050**	3,828	3,436	3,688	3,415
Operating expenses	**1,512**	1,489	1,512	1,742	1,686
Credit impairment charge / (release)	**74**	(16)	63	193	178
Profit before income tax	**2,464**	2,355	1,861	1,753	1,551
Income tax expense	**681**	639	490	428	452
Profit after income tax	**1,783**	1,716	1,371	1,325	1,099
Dividends paid	**(1,760)**	(2,353)	(1,065)	(1,150)	(700)
Share capital issued	**675**	970	300	-	-

NZ$ millions	**As at 30/09/2015**	As at 30/09/2014	As at 30/09/2013	As at 30/09/2012	As at 30/09/2011
Total impaired assets	**382**	634	901	1,366	1,726
Total assets	**147,527**	128,915	120,444	121,564	121,440
Total liabilities	**135,074**	117,134	108,990	110,653	110,615
Equity	**12,453**	11,781	11,454	10,911	10,825

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

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.

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 2015.

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 2015 of NZ$5,335 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 9, 34 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in note 30.

Other Matters

APRA has informed the four major Australian banks, including the Ultimate Parent Bank, that it is reviewing the level of non-equity and contingent funding that can be provided to their respective New Zealand banking subsidiaries and branches. Whilst details of this review are subject to further discussions with APRA, we believe that the Ultimate Parent Bank will continue to be able to provide financial support to ANZ New Zealand. We expect that any changes, if implemented, will be made with an appropriate transition period determined by APRA to allow ANZ New Zealand to adjust to any new arrangements.

General Disclosures

Credit Rating Information

As at 18 November 2015 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, which have not changed in the last two years, 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

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.

Conditions of Registration

Conditions of Registration, applicable as at 30 September 2015. These Conditions of Registration have applied from 1 October 2014.

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%;

    (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 October 2014 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 October 2014 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 October 2014.

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 October 2014; 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 October 2014.

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 October 2014.

    the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated October 2014 is 1.06.

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

Conditions of Registration

(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 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 October 2014.

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 July 2014.

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 July 2014.

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 of Registration

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; 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 July 2014 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;

Conditions of Registration

(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 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—

(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 "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That the registered 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 "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning 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.

Conditions of Registration

In these conditions of registration,—

“banking group”—

(a) means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act (unless paragraph (b) applies); or

(b) means ANZ Bank New Zealand Limited’s financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993) if the Financial Reporting Act 1993 applies to the bank:

“generally accepted accounting practice” —

(a) has the same meaning as in section 8 of the Financial Reporting Act 2013 (unless paragraph (b) applies); or

(b) means generally accepted accounting practice within the meaning of section 3 of the Financial Reporting Act 1993 if the bank is required to prepare financial statements in accordance with that practice.

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 October 2014:

“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.

Noncompliance with Conditions of Registration

The Bank has identified that due to noncompliance with a documented internal process, the Bank was required to include the assets of The Bonus Bonds Trust and the ANZ PIE Fund, which are associated unit trusts of the Bank, in the risk weighted exposures for the Banking Group for capital adequacy purposes. As a result, the Bank was technically in a position of noncompliance with Condition of Registration 1B for a period of time. These assets are included in the Banking Group’s risk weighted exposures as at 30 September 2015 and, as at that date, the Bank was in full compliance with its Conditions of Registration. The Banking Group's capital ratios were not materially affected, and no additional capital is required to be held as a result of including these assets in the Banking Group’s risk weighted exposures. The Bank proactively brought this matter to the attention of the RBNZ, who have acknowledged that the matter is not material, is highly technical in nature, and that no further action is warranted on the part of the RBNZ.

Directorate and Auditor

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 2015

Independent Non-Executive Director and Chair

John Frederick Judge
B Com, FCA
Company Director
Auckland, New Zealand

Mr Judge is the Chair of the Human Resources 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, Cup Limited, Sails Friday Limited, The New Zealand Initiative 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

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 Human Resources Committee.

Other directorships: Australia and New Zealand Banking Group Limited, The Financial Markets Foundation for Children, The Institute of International Finance Inc, The International Monetary Conference, Financial Literacy Australia Limited, Executive Chairman of Chongqinq Mayor's International Economic Advisory Council

Nigel Henry Murray Williams
BCom
Chief Risk Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Mr Williams is an alternate director for Michael Smith.

Other directorships: Shanghai Rural Commercial Bank Co. Limited

Directorate and Auditor

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 Human Resources 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, Strategic Interchange Limited, Tetrad Corporation Limited

Mark John Verbiest
LLB, CFInstD
Company Director
Wanaka, New Zealand

Mr Verbiest is the Chair of the Audit Committee and a member of the Human Resources Committee and the Risk Committee.

Other directorships: Bear Fund NZ Limited, Freightways Limited, Spark New Zealand Limited, Transpower New Zealand Limited, Willis Bond Capital Partners Limited, Willis Bond General Partner Limited, MyCare Limited

Joan Withers

MBA, AFInstD
Company Director
Auckland, New Zealand

Ms Withers is a member of the Human Resources Committee, the Risk Committee and the Audit Committee.

Other directorships: Mighty River Power Limited, Television New Zealand Limited

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Auditor

KPMG

Chartered Accountants
10 Customhouse Quay
P O Box 996
Wellington, New Zealand

Directors' Statement

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director believes that:

(i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014; and

(ii) The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2015, after due enquiry, each Director believes that:

(i) ANZ Bank New Zealand Limited has complied with all Conditions of Registration that applied during that period except as noted on page 74;

(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 all Directors of the Bank on, 18 November 2015.

Antony Carter

Shayne Elliott

David Hisco

John Judge

Michael Smith, OBE

Nigel Williams
(alternate director for Michael Smith)

Mark Verbiest

Joan Withers

KPMG

Independent auditor's report

To the Shareholder of ANZ Bank New Zealand Limited

Report on the Banking Group Disclosure Statement

We have audited the accompanying financial statements and supplementary information of ANZ Bank New Zealand Limited ("the Bank") and its subsidiaries ("Banking Group") on pages 3 to 66 of the Disclosure Statement. The financial statements comprise the balance sheet as at 30 September 2015, 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 Banking Group. The supplementary information comprises the information that is required to be disclosed in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the Order).

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder of the Bank those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder of the Bank as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the disclosure statement

The Directors are responsible on behalf of the Banking Group for the preparation of the Banking Group Disclosure Statement, including financial statements prepared in accordance with Clause 24 of the Order, 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. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the 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 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 Banking Group financial statements (excluding the supplementary information relating to Capital Adequacy). 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 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 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.

Opinion on the Disclosure Statement

In our opinion the Disclosure Statement of the Banking Group on pages 3 to 66 (excluding supplementary information):

a. complies with generally accepted accounting practice in New Zealand;

b. complies with International Financial Reporting Standards; and

c. presents fairly, in all material respects, the financial position as at 30 September 2015 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 (excluding supplementary information relating to Capital Adequacy) 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 13, 17, 28, 30 and 34 of the Disclosure Statement:

a. 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;

KPMG

b. is in accordance with the books and records of the Banking Group in all material respects; and

c. 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 information, as disclosed in note 28 of the Disclosure Statement for the year ended 30 September 2015.

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 and prepared in accordance with the Capital Adequacy Framework (internal models based approach) (BS2B) and described in note 28 of the Disclosure Statement.

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 NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* issued by the New Zealand External Board. As the auditor of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements and plan and perform the review to obtain limited assurance about whether the supplementary information relating to Capital Adequacy information is, in all material respects:

a. prepared in accordance with the Bank's conditions of registration;

b. 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

c. disclosed in accordance with Schedule 11 of the Order.

A review is limited primarily to enquiries of the 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.

A review of the capital adequacy information in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the supplementary information relating to capital adequacy disclosures.

Review 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, and disclosed in note 28 of the Disclosure Statement, is not, in all material respects:

a. prepared in accordance with the Bank's conditions of registration;

b. 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

c. disclosed in accordance with Schedule 11 of the Order.

Independence

Our firm has provided other services to the Banking Group in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews and agreed upon procedures engagements. Subject to certain restrictions partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

KPMG

Wellington
18 November 2015

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ANZ Bank New Zealand Limited
Annual Report and Registered Bank Disclosure Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2014 | NUMBER 75 ISSUED NOVEMBER 2014

Annual Report and Registered Bank Disclosure Statement
For the year ended 30 September 2014

Contents

Glossary of Terms

In this Registered Bank Disclosure Statement (Disclosure Statement) unless the context otherwise requires:
(a) Bank means ANZ Bank New Zealand Limited;
(b) Banking Group means the Bank and all its controlled entities;
(c) Immediate Parent Company means ANZ Holdings (New Zealand) Limited;
(d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;
(e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
(f) New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;
(g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;
(h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;
(i) Registered Office is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand, which is also the Banking Group's address for service;
(j) RBNZ means the Reserve Bank of New Zealand;
(k) APRA means the Australian Prudential Regulation Authority;
(l) the Order means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014; and
(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

Annual Report

Pursuant to section 211(3) of the Companies Act 1993, 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 2014 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 2014	18 November 2014

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 2014 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, which have not changed in the last two years, 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

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 2014.

ANZNZ Covered Bond Trust

Certain debt securities (Covered Bonds) issued by the Bank’s wholly owned subsidiary, ANZ New Zealand (Int’l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 30 September 2014 of $3,928 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor’s address for service is Level 35, Vero Centre, 48 Shortland Street, Auckland, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody’s Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 34.

Summary of Financial Statements

	Banking Group				
$ millions	**Year to 30/09/2014**	Year to 30/09/2013 [1]	Year to 30/09/2012	Year to 30/09/2011	Year to 30/09/2010
Interest income	**6,272**	5,957	6,017	6,179	5,876
Interest expense	**3,529**	3,344	3,335	3,620	3,457
Net interest income	**2,743**	2,613	2,682	2,559	2,419
Non-interest income	**1,085**	823	1,006	856	744
Operating income	**3,828**	3,436	3,688	3,415	3,163
Operating expenses	**1,489**	1,512	1,742	1,686	1,565
Credit impairment charge / (release)	**(16)**	63	193	178	436
Profit before income tax	**2,355**	1,861	1,753	1,551	1,162
Income tax expense	**639**	490	428	452	335
Profit after income tax	**1,716**	1,371	1,325	1,099	827
Dividends paid	**(2,353)**	(1,065)	(1,150)	(700)	(600)
Share capital issued	**970**	300	-	-	-

$ millions	**As at 30/09/2014**	As at 30/09/2013 [1]	As at 30/09/2012	As at 30/09/2011	As at 30/09/2010
Total impaired assets	**634**	901	1,366	1,726	2,004
Total assets	**128,915**	120,444	121,564	121,440	116,458
Total liabilities	**117,134**	108,990	110,653	110,615	106,012
Non-controlling interests	**-**	-	-	-	1
Equity	**11,781**	11,454	10,911	10,825	10,446

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

[1] Comparative amounts have changed. Refer to notes 1 and 35 for details.

Income Statement

		Banking Group		Bank	
		Year to	Year to	**Year to**	Year to
$ millions	**Note**	**30/09/2014**	30/09/2013 [1]	**30/09/2014**	30/09/2013 [1]
Interest income	4	**6,272**	5,957	**6,723**	6,272
Interest expense	5	**3,529**	3,344	**4,359**	4,021
Net interest income		**2,743**	2,613	**2,364**	2,251
Net trading gains	4	**210**	163	**210**	162
Net funds management and insurance income	4	**325**	234	**74**	73
Other operating income	4	**547**	419	**865**	778
Share of associates' profit		**3**	7	**-**	-
Operating income		**3,828**	3,436	**3,513**	3,264
Operating expenses	5	**1,489**	1,512	**1,443**	1,216
Profit before credit impairment and income tax		**2,339**	1,924	**2,070**	2,048
Credit impairment charge / (release)	13	**(16)**	63	**(28)**	56
Profit before income tax		**2,355**	1,861	**2,098**	1,992
Income tax expense	6	**639**	490	**539**	416
Profit after income tax		**1,716**	1,371	**1,559**	1,576

Statement of Comprehensive Income

	Banking Group		Bank	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2014**	30/09/2013 [1]	**30/09/2014**	30/09/2013 [1]
Profit after income tax	**1,716**	1,371	**1,559**	1,576
Items that will not be reclassified to profit or loss				
Actuarial gain on defined benefit schemes	**35**	71	**35**	71
Income tax expense relating to items not reclassified	**(10)**	(20)	**(10)**	(20)
Total items that will not be reclassified to profit or loss	**25**	51	**25**	51
Items that may be reclassified subsequently to profit or loss				
Unrealised losses recognised directly in equity	**(2)**	(138)	**(2)**	(138)
Realised gains transferred to the income statement	**(41)**	(21)	**(41)**	(21)
Income tax credit relating to items that may be reclassified	**12**	45	**12**	45
Total items that may be reclassified subsequently to profit or loss	**(31)**	(114)	**(31)**	(114)
Total comprehensive income for the year	**1,710**	1,308	**1,553**	1,513

[1] Comparative amounts have changed. Refer to notes 1 and 35 for details.

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

Statement of Changes in Equity

$ millions	Note	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
			Banking Group			
As at 1 October 2012[1]		6,943	(3)	141	3,830	10,911
Profit after income tax		-	-	-	1,371	1,371
Unrealised gains / (losses) recognised directly in equity		-	1	(139)	-	(138)
Realised gains transferred to the income statement		-	-	(21)	-	(21)
Actuarial gain on defined benefit schemes[1]		-	-	-	71	71
Income tax credit / (expense) on items recognised directly in equity[1]		-	-	45	(20)	25
Total comprehensive income for the year		-	1	(115)	1,422	1,308
Preference shares issued	**25**	300	-	-	-	300
Ordinary dividend paid	**25**	-	-	-	(1,065)	(1,065)
As at 30 September 2013 [1]		7,243	(2)	26	4,187	11,454
Profit after income tax		**-**	**-**	**-**	**1,716**	**1,716**
Unrealised gains / (losses) recognised directly in equity		**-**	**3**	**(5)**	**-**	**(2)**
Realised gains transferred to the income statement		**-**	**-**	**(41)**	**-**	**(41)**
Actuarial gain on defined benefit schemes		**-**	**-**	**-**	**35**	**35**
Income tax credit / (expense) on items recognised directly in equity		**-**	**(1)**	**13**	**(10)**	**2**
Total comprehensive income for the year		**-**	**2**	**(33)**	**1,741**	**1,710**
Ordinary shares issued	**25**	**970**	**-**	**-**	**-**	**970**
Ordinary dividend paid	**25**	**-**	**-**	**-**	**(2,340)**	**(2,340)**
Preference dividend paid	**25**	**-**	**-**	**-**	**(13)**	**(13)**
As at 30 September 2014		**8,213**	**-**	**(7)**	**3,575**	**11,781**

$ millions	Note	Share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
			Bank			
As at 1 October 2012[1]		6,943	(3)	141	3,103	10,184
Profit after income tax[1]		-	-	-	1,576	1,576
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[1]		-	-	-	71	71
Income tax credit / (expense) on items recognised directly in equity[1]		-	-	45	(20)	25
Total comprehensive income for the year		-	1	(115)	1,627	1,513
Preference shares issued	**25**	300	-	-	-	300
Ordinary dividend paid	**25**	-	-	-	(1,065)	(1,065)
As at 30 September 2013[1]		7,243	(2)	26	3,665	10,932
Profit after income tax		**-**	**-**	**-**	**1,559**	**1,559**
Unrealised gains / (losses) recognised directly in equity		**-**	**3**	**(5)**	**-**	**(2)**
Realised gains transferred to the income statement		**-**	**-**	**(41)**	**-**	**(41)**
Actuarial gain on defined benefit schemes		**-**	**-**	**-**	**35**	**35**
Income tax credit / (expense) on items recognised directly in equity		**-**	**(1)**	**13**	**(10)**	**2**
Total comprehensive income for the year		**-**	**2**	**(33)**	**1,584**	**1,553**
Ordinary shares issued	**25**	**970**	**-**	**-**	**-**	**970**
Ordinary dividend paid	**25**	**-**	**-**	**-**	**(2,340)**	**(2,340)**
Preference dividend paid	**25**	**-**	**-**	**-**	**(13)**	**(13)**
As at 30 September 2014		**8,213**	**-**	**(7)**	**2,896**	**11,102**

[1] Comparative amounts have changed. Refer to notes 1 and 35 for details.

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

Balance Sheet

		Banking Group			Bank		
$ millions	**Note**	**30/09/2014**	30/09/2013 [1]	1/10/2012 [1]	**30/09/2014**	30/09/2013 [1]	1/10/2012 [1]
Assets							
Cash	8	**1,822**	2,206	2,780	**1,822**	2,206	2,780
Settlement balances receivable		**855**	514	227	**858**	514	227
Collateral paid		**783**	1,002	1,256	**783**	1,002	1,256
Trading securities	9	**11,750**	10,320	12,338	**11,750**	10,319	12,338
Investments backing insurance contract liabilities		**190**	172	142	**-**	-	-
Derivative financial instruments	10	**11,404**	9,518	12,753	**11,408**	9,522	12,788
Current tax assets		**-**	-	15	**7**	62	79
Available-for-sale assets	11	**772**	942	157	**770**	940	154
Net loans and advances	12	**96,299**	90,837	86,915	**109,668**	100,769	96,175
Other assets	16	**648**	567	545	**701**	609	548
Insurance contract assets		**470**	399	408	**-**	-	-
Investments in subsidiaries and associates	15	**88**	98	99	**4,749**	4,864	6,609
Deferred tax assets	6	**-**	45	101	**63**	134	193
Premises and equipment		**380**	376	323	**54**	61	74
Goodwill and other intangible assets	17	**3,454**	3,448	3,505	**3,312**	3,299	3,317
Total assets		**128,915**	120,444	121,564	**145,945**	134,301	136,538
Interest earning and discount bearing assets		**111,914**	105,866	104,095	**125,071**	115,614	113,177
Liabilities							
Settlement balances payable		**2,296**	1,428	1,525	**2,771**	1,767	1,865
Collateral received		**800**	438	257	**800**	438	257
Deposits and other borrowings	18	**84,019**	78,816	74,841	**115,223**	105,805	105,317
Derivative financial instruments	10	**10,205**	10,243	13,930	**10,237**	10,252	13,930
Current tax liabilities		**67**	3	-	**-**	-	-
Deferred tax liabilities	6	**60**	-	-	**-**	-	-
Payables and other liabilities	19	**1,297**	1,195	1,349	**1,209**	1,089	1,025
Provisions	20	**204**	229	339	**182**	187	292
Bonds and notes	21	**17,042**	15,494	17,244	**3,277**	2,687	2,500
Subordinated debt	22	**1,144**	1,144	1,168	**1,144**	1,144	1,168
Total liabilities		**117,134**	108,990	110,653	**134,843**	123,369	126,354
Net assets		**11,781**	11,454	10,911	**11,102**	10,932	10,184
Equity							
Share capital	25	**8,213**	7,243	6,943	**8,213**	7,243	6,943
Reserves		**(7)**	24	138	**(7)**	24	138
Retained earnings		**3,575**	4,187	3,830	**2,896**	3,665	3,103
Total equity		**11,781**	11,454	10,911	**11,102**	10,932	10,184
Interest and discount bearing liabilities		**97,809**	91,061	89,299	**115,248**	105,764	105,017

For and on behalf of the Board of Directors:

John Judge
Chairman
18 November 2014

David Hisco
Executive Director
18 November 2014

[1] Comparative amounts have changed. Refer to notes 1 and 35 for details.

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 30/09/2014	Banking Group Year to 30/09/2013 [1]	Bank Year to 30/09/2014	Bank Year to 30/09/2013 [1]
Cash flows from operating activities					
Interest received		**6,189**	5,916	**6,609**	6,226
Dividends received		**4**	4	**140**	254
Net funds management & insurance income		**261**	236	**74**	73
Fees and other income received		**686**	637	**867**	710
Interest paid		**(3,429)**	(3,368)	**(4,233)**	(4,020)
Operating expenses paid		**(1,430)**	(1,550)	**(1,400)**	(1,493)
Income taxes paid		**(468)**	(390)	**(411)**	(314)
Cash flows from operating profits before changes in operating assets and liabilities		**1,813**	1,485	**1,646**	1,436
Net changes in operating assets and liabilities:					
Change in settlements receivable		**167**	(134)	**164**	(135)
Change in collateral paid		**219**	254	**219**	254
Change in trading securities		**(1,025)**	1,558	**(1,026)**	1,559
Change in derivative financial instruments		**(480)**	555	**(976)**	608
Change in available-for-sale assets		**188**	(766)	**188**	(767)
Change in insurance investment assets		**(18)**	(30)	**-**	-
Change in loans and advances		**(8,873)**	(7,182)	**(12,163)**	(7,859)
Proceeds from sale of loans and advances to NZ Branch		**3,393**	3,144	**3,393**	3,144
Change in settlements payable		**33**	(31)	**37**	(31)
Change in collateral received		**362**	181	**362**	181
Change in deposits and other borrowings		**5,498**	3,512	**9,460**	(399)
Net changes in operating assets and liabilities		**(536)**	1,061	**(342)**	(3,445)
Net cash flows provided by / (used in) operating activities	31	**1,277**	2,546	**1,304**	(2,009)
Cash flows from investing activities					
Proceeds from sale of shares in associates		**9**	1	**-**	-
Proceeds from sale of premises and equipment		**9**	-	**-**	-
Proceeds from sale of subsidiaries		**-**	68	**-**	70
Purchase of intangible assets		**(43)**	(27)	**(43)**	(27)
Purchase of premises and equipment		**(77)**	(115)	**(18)**	(12)
Net cash flows provided by / (used in) investing activities		**(102)**	(73)	**(61)**	31
Cash flows from financing activities					
Proceeds from issue of bonds and notes		**4,431**	2,167	**1,025**	200
Proceeds from issue of subordinated debt		**-**	12	**-**	12
Proceeds from issue of ordinary shares		**970**	-	**970**	-
Proceeds from issue of preference shares		**-**	300	**-**	300
Proceeds from redemption of shares in subsidiaries		**-**	-	**115**	1,907
Redemptions of bonds and notes		**(3,684)**	(4,611)	**(461)**	(100)
Change in funding from Immediate Parent Company		**(913)**	199	**(913)**	199
Dividends paid		**(2,353)**	(1,065)	**(2,353)**	(1,065)
Net cash flows provided by / (used in) financing activities		**(1,549)**	(2,998)	**(1,617)**	1,453
Net decrease in cash and cash equivalents		**(374)**	(525)	**(374)**	(525)
Cash and cash equivalents at beginning of the year		**2,204**	2,729	**2,204**	2,729
Cash and cash equivalents at end of the year	31	**1,830**	2,204	**1,830**	2,204

[1] Comparative amounts have changed. Refer to notes 1 and 35 for details.

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, 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

All new and amending NZ IFRSs applicable for the first time to the Banking Group in the year ended 30 September 2014 have been applied to these financial statements effective from their required date of application. The initial application of these standards and interpretations have not resulted in any material change to the Banking Group's reported result or financial position, and have largely resulted in changes to disclosures.

The accounting policies are consistent with those of the previous financial year except as noted below.

- *Defined benefit liabilities:* The amendments to NZ IAS 19 *Employee Benefits* have been applied retrospectively, in accordance with transitional provisions, with the net impact of initial application recognised in retained earnings as at 1 October 2012. The balances of payables and other liabilities and the associated deferred tax asset have been restated for subsequent periods.
- *Cash and cash equivalents:* Loans and advances with financial institution counterparties with original maturities of less than 90 days and remittances in transit have been removed from the definition of cash equivalents. These balances are now included in net loans and advances and settlement balances receivable respectively. The associated cash inflows/outflows form part of cash flows from operating activities. The Banking Group considers that this change better reflects the characteristics of those financial instruments.

(v) Rounding

The amounts in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vi) Comparatives

In addition to restatements resulting from the initial application of the amendment to NZ IAS 19, certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. Further information on material changes to comparative information is included in note 35.

(vii) Principles of consolidation

Subsidiaries

The consolidated financial statements of the Banking Group comprise the financial statements of the Bank and all its subsidiaries.

An entity, including a structured entity, is considered a subsidiary of the Banking Group when it is determined that control over the entity exists. Control is deemed to exist when the Banking Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is assessed by examining existing rights that give the Banking Group the current ability to direct the relevant activities of the entity. At times, the determination of control can be judgemental. Further detail on the judgement involved in assessing control has been provided in note 2.

The effect of all transactions between entities in the Banking Group is eliminated. Where subsidiaries have been sold during the year, their operating results have been included to the date of disposal. When control ceases, the assets and liabilities of the subsidiary and other components of equity are derecognised. Any resulting gain or loss is recognised in profit or loss.

In the Bank's financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses.

Notes to the Financial Statements

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.

(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

Notes to the Financial Statements

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 (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

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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.

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.

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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 deposits and other borrowings. 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 cash or net loans and advances depending on the term of the agreement. 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, UDC secured investments, 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

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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 subordinated debt

Bonds, notes and subordinated debt 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.

(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 and nostro balances included in settlement balances receivable and settlement balances payable.

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

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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 33 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 2018

NZ IFRS 9 Financial Instruments
This standard is being released in phases and once finalised will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The phases currently issued are:

- Phase 1: Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value.
- Phase 2: Simplifies hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. Includes new impairment requirements that introduce an expected credit loss impairment model. Introduces a fair value through other comprehensive income classification for financial assets when the business model is to collect contractual cash flows and to sell financial assets.

The Banking Group is assessing the impact on the financial statements.

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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 13 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).

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities and are often thinly capitalised with a reliance on debt financing for support.

The Banking Group assesses, at inception and periodically, whether a structured entity should be consolidated based on the accounting policy outlined in note 1. Such assessments are predominantly securitisation activities and involvement with managed funds. When assessing whether the Banking Group controls (and therefore consolidates) a structured entity, judgement is required about whether the Banking Group has power over the relevant activities as well as exposure to variable returns of the structured entity. All involvement, rights and exposure to returns are considered when assessing if control exists.

The Banking Group is deemed to have power over a managed fund when it performs the function of Manager of

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that managed fund. Whether the Banking Group controls the managed fund depends on whether it holds that power as principal, or as an agent for other investors. The Banking Group is considered the principal, and thus controls an managed fund, when it cannot be easily removed from the position of Manager by other investors and has variable returns through significant aggregate economic interest in that managed fund. In all other cases the Banking Group is considered to be acting in an agency capacity and does not control the managed fund.

Structured entities are consolidated when control exists. In other cases the Banking Group may simply have an interest in or may sponsor a structured entity but not consolidate it.

The Banking Group considers itself the sponsor of an unconsolidated structured entity where it is the primary party involved in the design and establishment of that structured entity and:

- where the Banking Group is the major user of that structured entity; or
- the Banking Group's name appears in the name of that structured entity or on its products; or
- the Banking Group provides implicit or explicit guarantees of that entity's performance.

Goodwill

Refer to Note 17 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 2014 when the last valuation was prepared, a discount rate of 11.09% 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.

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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 27 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 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.

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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.

All audit activities are conducted in accordance with local and international auditing standards, and the results of the activities 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.

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4. Income

	Banking Group		Bank	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Interest income				
Financial assets at fair value through profit or loss				
Trading securities	**474**	418	**474**	418
Financial assets not at fair value through profit or loss				
Cash	**72**	72	**72**	72
Available-for-sale assets	**33**	16	**33**	16
Net loans and advances	**5,677**	5,426	**6,135**	5,749
Other	**16**	25	**9**	17
	5,798	5,539	**6,249**	5,854
Total interest income	**6,272**	5,957	**6,723**	6,272
Net trading gains				
Net gain on foreign exchange trading	**157**	154	**156**	153
Net gain / (loss) on trading securities	**57**	(197)	**57**	(197)
Net gain / (loss) on trading derivatives	**(4)**	206	**(3)**	206
Net trading gains	**210**	163	**210**	162
Net funds management and insurance income				
Net funds management income	**139**	124	**40**	34
Net insurance income	**186**	110	**34**	39
Total funds management and insurance income	**325**	234	**74**	73
Other operating income				
Lending and credit facility fee income	**55**	57	**55**	57
Other fee income	**569**	566	**690**	635
Total fee income	**624**	623	**745**	692
Direct fee expense	**(216)**	(200)	**(216)**	(200)
Net fee income	**408**	423	**529**	492
Dividends received	**-**	-	**140**	256
Net ineffectiveness on qualifying fair value hedges	**1**	-	**1**	-
Net loss on derivatives not qualifying for hedge accounting	**(7)**	(56)	**(7)**	(61)
Net cash flow hedge gain transferred to income statement	**41**	21	**41**	21
Insurance settlement proceeds	**91**	-	**91**	-
Gain on sale of subsidiary and associates	**-**	13	**-**	37
Loss on sale of mortgages to NZ Branch	**(23)**	(14)	**(23)**	(14)
Other income	**36**	32	**93**	47
Total other operating income	**547**	419	**865**	778

Notes to the Financial Statements

5. Expenses

$ millions	Banking Group Year to 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Interest expense				
Financial liabilities at fair value through profit or loss				
Commercial paper	**229**	170	**-**	-
Financial liabilities not at fair value through profit or loss				
Deposits and other borrowings	**2,425**	2,284	**4,101**	3,769
Bonds and notes	**791**	791	**173**	153
Subordinated debt	**57**	79	**58**	79
Other	**27**	20	**27**	20
	3,300	3,174	**4,359**	4,021
Total interest expense	**3,529**	3,344	**4,359**	4,021
Operating expenses				
Personnel costs	**716**	702	**689**	646
Employee entitlements	**69**	71	**67**	66
Superannuation costs	**38**	43	**38**	42
Share-based payments expense	**22**	22	**21**	22
Building occupancy costs	**41**	41	**4**	(14)
Depreciation of premises and equipment	**55**	46	**23**	23
Leasing and rental costs	**78**	84	**174**	149
Technology expenses	**137**	114	**122**	97
Reversal of impairment of investment in subsidiary	**-**	-	**-**	(181)
Amortisation of software and other intangible assets	**30**	52	**25**	45
Administrative expenses	**170**	188	**159**	176
Charges from Ultimate Parent Bank	**81**	84	**81**	84
Other costs	**52**	65	**40**	61
Total operating expenses	**1,489**	1,512	**1,443**	1,216

$ thousands	Banking Group Year to 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Fees paid to auditor (KPMG New Zealand)[1]				
Audit or review of financial statements[2]	**2,197**	2,352	**1,284**	1,468
Other services:				
Review of regulatory returns	**96**	186	**-**	-
Prospectus assurance or review	**249**	120	**-**	-
Other assurance services[3]	**151**	100	**115**	43
Total other services	**496**	406	**115**	43
Total fees paid to auditor relating to the Bank and the Banking Group	**2,693**	2,758	**1,399**	1,511
Fees paid on behalf of related entities and not recharged:				
Subsidiaries and other members of ANZ New Zealand[2,3]	**5**	15	**342**	199
Other related entities[4]	**147**	181	**63**	94
Total fees paid to auditor	**2,845**	2,954	**1,804**	1,804

1 Comparative figures have been adjusted to include and show separately fees paid on behalf of other entities and which have not been recharged.
2 Includes fees for both the audit of the annual financial statements and reviews of interim financial statements.
3 Includes fees for controls reports, comfort letters and other agreed upon procedures engagements.
4 Amounts include fees for audits of annual financial statements and audits of summary financial statements for inclusion in prospectuses for ANZ PIE funds, and comfort letters and other agreed upon procedures engagements for The Bonus Bonds Trust and ANZ Staff Foundation.

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.

Notes to the Financial Statements

6. Income Tax

$ millions	Banking Group Year to 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**2,355**	1,861	**2,098**	1,992
Prima facie income tax at 28%	**659**	521	**587**	558
Imputed and non-assessable dividends	**(3)**	(5)	**(39)**	(72)
Change in tax provisions	**(10)**	(10)	**(10)**	(10)
Non assessable income and non deductible expenditure	**(8)**	(17)	**1**	(60)
Income tax under provided in prior years	**1**	1	**-**	-
Total income tax expense	**639**	490	**539**	416
Effective tax rate (%)	**27.1%**	26.3%	**25.7%**	20.9%
Amounts recognised in the income statement				
Current tax	**531**	409	**465**	331
Deferred tax	**108**	81	**74**	85
Total income tax expense recognised in the income statement	**639**	490	**539**	416
Imputation credits available	**2,341**	1,852	**2,224**	1,725

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.

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**186**	231	**178**	221
Premises and equipment, software and intangibles	**2**	8	**9**	13
Provisions and accruals	**61**	77	**53**	62
Insurance policy assets	**(127)**	(108)	**-**	-
Financial instruments	**3**	(10)	**3**	(10)
Carried forward losses	**9**	15	**-**	-
Lease finance	**(191)**	(179)	**(188)**	(174)
Other deferred tax assets and liabilities (including tax provisions)	**(3)**	11	**8**	22
Net deferred tax assets / (liabilities)[1]	**(60)**	45	**63**	134

[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. Segment Analysis

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

Segmental reporting has been updated to reflect minor changes to the Banking Group's structure. Comparative data has been adjusted to be consistent with the current 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 comprises the Private Wealth, Funds Management and Insurance businesses, which provide private banking, investment, superannuation and insurance products and services.

Institutional

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

Other

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

Notes to the Financial Statements

Business segment analysis[1]

	Banking Group					
$ millions	Retail	Commercial	Wealth[2]	Institutional	Other	Total
30/09/2014						
External interest income	**1,769**	**3,416**	**92**	**978**	**17**	**6,272**
External interest expense	**(1,096)**	**(661)**	**(199)**	**(475)**	**(1,098)**	**(3,529)**
Net intersegment interest	**222**	**(1,400)**	**166**	**(178)**	**1,190**	**-**
Net interest income	**895**	**1,355**	**59**	**325**	**109**	**2,743**
Other external operating income	**317**	**94**	**318**	**298**	**55**	**1,082**
Share of associates' profit	**-**	**1**	**-**	**-**	**2**	**3**
Operating income	**1,212**	**1,450**	**377**	**623**	**166**	**3,828**
Operating expenses	**632**	**488**	**137**	**182**	**50**	**1,489**
Profit before credit impairment and income tax	**580**	**962**	**240**	**441**	**116**	**2,339**
Credit impairment charge / (release)	**25**	**(41)**	**(1)**	**1**	**-**	**(16)**
Profit before income tax	**555**	**1,003**	**241**	**440**	**116**	**2,355**
Income tax expense	**156**	**280**	**59**	**122**	**22**	**639**
Profit after income tax	**399**	**723**	**182**	**318**	**94**	**1,716**
Other information						
Depreciation and amortisation	**17**	**2**	**5**	**-**	**61**	**85**
Goodwill	**547**	**1,434**	**180**	**1,072**	**-**	**3,233**
Other intangible assets	**30**	**2**	**126**	**-**	**63**	**221**
Investment in associates	**-**	**3**	**-**	**-**	**85**	**88**
Total external assets	**28,995**	**61,182**	**2,526**	**34,728**	**1,484**	**128,915**
Total external liabilities	**34,943**	**23,089**	**5,316**	**28,863**	**24,923**	**117,134**
30/09/2013						
External interest income	1,722	3,155	88	985	7	5,957
External interest expense	(1,056)	(607)	(200)	(420)	(1,061)	(3,344)
Net intersegment interest	173	(1,248)	149	(208)	1,134	-
Net interest income	839	1,300	37	357	80	2,613
Other external operating income	319	125	195	251	(74)	816
Share of associates' profit	-	2	-	-	5	7
Operating income	1,158	1,427	232	608	11	3,436
Operating expenses	639	489	139	196	49	1,512
Profit before credit impairment and income tax	519	938	93	412	(38)	1,924
Credit impairment charge / (release)	55	(11)	(1)	20	-	63
Profit before income tax	464	949	94	392	(38)	1,861
Income tax expense	131	262	14	106	(23)	490
Profit after income tax	333	687	80	286	(15)	1,371
Other information						
Depreciation and amortisation	24	5	5	-	64	98
Goodwill	547	1,434	180	1,072	-	3,233
Other intangible assets	27	2	130	-	56	215
Investment in associates	-	3	-	-	95	98
Total external assets	28,203	56,935	2,261	31,555	1,490	120,444
Total external liabilities	32,383	20,399	4,848	26,835	24,525	108,990

1 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
2 Wealth other external operating income for the year ended 30 September 2014 includes the $91 million insurance settlement relating to the Bank's former involvement in the ING Diversified Yield Fund and the ING Regular Income Fund.

Notes to the Financial Statements

8. Cash

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Coins, notes and cash at bankers	**204**	187	**204**	187
Balances with central banks	**1,309**	1,709	**1,309**	1,709
Securities purchased under agreements to resell	**309**	310	**309**	310
Total cash	**1,822**	2,206	**1,822**	2,206

9. Trading Securities

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Government, local body stock and bonds	**6,607**	5,404	**6,607**	5,403
Certificates of deposit	**378**	551	**378**	551
Promissory notes	**91**	36	**91**	36
Other bank bonds	**4,630**	4,300	**4,630**	4,300
Other	**44**	29	**44**	29
Total trading securities	**11,750**	10,320	**11,750**	10,319

Notes to the Financial Statements

10. 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		
	Notional principal	Fair values		Notional principal	Fair values	
$ millions	amount	Assets	Liabilities	amount	Assets	Liabilities
30/09/2014						
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	64,229	1,464	1,234	64,229	1,464	1,234
Swap agreements	146,852	5,368	4,950	146,852	5,368	4,950
Options purchased	2,528	47	1	2,528	47	1
Options sold	2,381	1	36	2,381	1	36
	215,990	6,880	6,221	215,990	6,880	6,221
Interest rate derivatives						
Forward rate agreements	9,514	2	1	9,514	2	1
Swap agreements	694,051	4,180	3,782	702,020	4,184	3,814
Futures contracts	17,930	2	5	17,930	2	5
Options purchased	1,607	2	-	1,607	2	-
Options sold	840	1	3	840	1	3
	723,942	4,187	3,791	731,911	4,191	3,823
Commodity derivatives	346	22	21	346	22	21
Total derivatives held for trading	940,278	11,089	10,033	948,247	11,093	10,065
Derivatives in hedging relationships						
Fair value hedges						
Foreign exchange swap agreements	17	-	-	17	-	-
Interest rate swap agreements	20,044	219	64	20,044	219	64
	20,061	219	64	20,061	219	64
Cash flow hedges						
Interest rate swap agreements	18,866	96	108	18,866	96	108
Total derivatives in hedging relationships	38,927	315	172	38,927	315	172
Total derivative financial instruments	979,205	11,404	10,205	987,174	11,408	10,237

Notes to the Financial Statements

30/09/2013 $ millions	Banking Group Notional principal amount	Banking Group Fair values Assets	Banking Group Fair values Liabilities	Bank Notional principal amount	Bank Fair values Assets	Bank Fair values Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
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
	192,173	3,810	5,170	192,173	3,810	5,170
Interest rate derivatives						
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
	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						
Fair value hedges						
Foreign exchange swap agreements	55	2	-	55	2	-
Interest rate swap agreements	17,056	137	41	17,056	137	41
	17,111	139	41	17,111	139	41
Cash flow hedges						
Interest rate swap agreements	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

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 **30/09/2014**	Banking Group 30/09/2013	Bank **30/09/2014**	Bank 30/09/2013
Gain / (loss) arising from fair value hedges:				
- hedged item	**(41)**	72	**(41)**	72
- hedging instrument	**42**	(72)	**42**	(72)
Net ineffectiveness on qualifying fair value hedges	**1**	-	**1**	-

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	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Deferred gain / (loss) attributable to hedges of:				
Variable rate loan assets	**(29)**	(18)	**(29)**	(18)
Variable rate liabilities	**-**	15	**-**	15
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**22**	29	**22**	29
Total cash flow hedging reserve	**(7)**	26	**(7)**	26

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 ten years (30/09/2013 ten years).

11. Available-for-sale Assets

	Banking Group		Bank	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Government, local body stock and bonds	**522**	742	**522**	742
Other debt securities	**248**	198	**248**	198
Equity securities	**2**	2	**-**	-
Total available-for-sale assets	**772**	942	**770**	940

12. Net Loans and Advances

		Banking Group		Bank	
$ millions	**Note**	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Overdrafts		**1,744**	1,841	**1,744**	1,841
Credit card outstandings		**1,580**	1,458	**1,580**	1,458
Term loans - housing		**52,717**	49,521	**52,717**	49,521
Term loans - non-housing		**39,622**	37,673	**38,127**	36,307
Loans to subsidiaries		**-**	-	**15,834**	12,193
Lease receivables		**277**	351	**81**	119
Hire purchase		**837**	721	**-**	-
Other		**125**	125	**-**	-
Total gross loans and advances		**96,902**	91,690	**110,083**	101,439
Less: Provision for credit impairment	**13**	**(666)**	(826)	**(634)**	(789)
Less: Unearned income		**(212)**	(214)	**(56)**	(68)
Add: Capitalised brokerage/mortgage origination fees		**208**	156	**208**	156
Add: Customer liability for acceptances		**67**	31	**67**	31
Total net loans and advances		**96,299**	90,837	**109,668**	100,769

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of $9,176 million as at 30 September 2014 (30/09/2013 $9,256 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

Notes to the Financial Statements

13. Provision for Credit Impairment

Credit impairment charge / (release)

	Banking Group				Bank			
$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2014								
New and increased provisions	**50**	**120**	**111**	**281**	**50**	**114**	**94**	**258**
Write-backs	**(44)**	**(21)**	**(112)**	**(177)**	**(44)**	**(20)**	**(107)**	**(171)**
Recoveries of amounts written off previously	**(2)**	**(20)**	**(7)**	**(29)**	**(2)**	**(20)**	**(5)**	**(27)**
Individual credit impairment charge / (release)	**4**	**79**	**(8)**	**75**	**4**	**74**	**(18)**	**60**
Collective credit impairment charge / (release)	**(23)**	**1**	**(69)**	**(91)**	**(23)**	**3**	**(68)**	**(88)**
Credit impairment charge / (release)	**(19)**	**80**	**(77)**	**(16)**	**(19)**	**77**	**(86)**	**(28)**
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 credit impairment charge	10	67	48	125	10	67	45	122
Collective credit impairment release	(3)	(8)	(51)	(62)	(3)	(12)	(51)	(66)
Credit impairment charge / (release)	7	59	(3)	63	7	55	(6)	56

Movement in provision for credit impairment

	Banking Group				Bank			
$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2014								
Collective provision								
Balance at beginning of the year	**101**	**117**	**324**	**542**	**101**	**101**	**316**	**518**
Charge / (release) to income statement	**(23)**	**1**	**(69)**	**(91)**	**(23)**	**3**	**(68)**	**(88)**
Balance at end of the year	**78**	**118**	**255**	**451**	**78**	**104**	**248**	**430**
Individual provision								
Balance at beginning of the year	**74**	**22**	**188**	**284**	**74**	**22**	**175**	**271**
New and increased provisions net of write-backs	**6**	**99**	**(1)**	**104**	**6**	**94**	**(13)**	**87**
Bad debts written off	**(3)**	**(106)**	**(67)**	**(176)**	**(3)**	**(102)**	**(53)**	**(158)**
Discount unwind reversal / (discount unwind)[1]	**(5)**	**-**	**8**	**3**	**(5)**	**-**	**9**	**4**
Balance at end of the year	**72**	**15**	**128**	**215**	**72**	**14**	**118**	**204**
Total provision for credit impairment	**150**	**133**	**383**	**666**	**150**	**118**	**366**	**634**
30/09/2013								
Collective provision								
Balance at beginning of the year	104	125	375	604	104	113	367	584
Release 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

[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

14. Impaired Assets

$ millions	Banking Group				Bank			
	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2014								
Balance at beginning of the year	**179**	**49**	**673**	**901**	**179**	**49**	**649**	**877**
Transfers from productive	**178**	**138**	**299**	**615**	**178**	**128**	**271**	**577**
Transfers to productive	**(41)**	**(4)**	**(153)**	**(198)**	**(41)**	**(3)**	**(152)**	**(196)**
Assets realised or loans repaid	**(124)**	**(42)**	**(342)**	**(508)**	**(124)**	**(37)**	**(324)**	**(485)**
Write offs	**(3)**	**(106)**	**(67)**	**(176)**	**(3)**	**(102)**	**(53)**	**(158)**
Total impaired assets	**189**	**35**	**410**	**634**	**189**	**35**	**391**	**615**
Undrawn facilities with impaired customers	**1**	**-**	**38**	**39**	**1**	**-**	**38**	**39**
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	408	810	268	134	385	787
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	673	901	179	49	649	877
Undrawn facilities with impaired customers	-	1	24	25	-	1	24	25

15. Investments in Subsidiaries and Associates

$ millions	Banking Group		Bank	
	30/09/2014	30/09/2013	**30/09/2014**	30/09/2013
Investments in subsidiaries	**-**	-	**4,664**	4,779
Investments in associates	**88**	98	**85**	85
Total investments in subsidiaries and associates	**88**	98	**4,749**	4,864

The following table lists the principal subsidiaries of the Bank. Principal subsidiaries are those that have transactions or balances with parties outside the Banking Group. All subsidiaries are 100% owned and incorporated in New Zealand unless stated otherwise.

Principal subsidiaries	Nature of business
ANZ Capital NZ Limited	Investment
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Securities Limited	On-line share broker
ANZNZ Covered Bond Trust[1]	Securitisation entity
Arawata Assets Limited	Property
Arawata Finance Limited	Investment
AUT Investments Limited	Investment
Karapiro Investments Limited	Investment
Kingfisher NZ Trust 2008-1[1]	Securitisation entity
OnePath Insurance Services (NZ) Limited	Insurance
OnePath Life (NZ) Limited	Insurance
UDC Finance Limited	Asset finance

[1] The Banking Group does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as the Banking Group retains substantially all the risks and rewards of the operations. Details of the Banking Group's interest in consolidated structured entities is included in note 34.

Notes to the Financial Statements

16. Other Assets

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Accrued interest and prepaid discounts	**426**	374	**551**	462
Accrued commission	**19**	18	**7**	7
Share-based payments asset	**60**	62	**60**	62
Prepaid expenses	**15**	15	**15**	14
Other assets	**128**	98	**68**	64
Total other assets	**648**	567	**701**	609

17. Goodwill and Other Intangible Assets

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Goodwill	**3,233**	3,233	**3,217**	3,217
Software	**96**	84	**95**	82
Other intangibles	**125**	131	**-**	-
Total goodwill and other intangible assets	**3,454**	3,448	**3,312**	3,299

18. Deposits and Other Borrowings

$ millions	Note	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Certificates of deposit		**1,376**	2,364	**1,376**	2,364
Term deposits		**34,758**	33,862	**34,758**	33,862
Other deposits bearing interest and other borrowings		**34,027**	29,687	**34,027**	29,687
Deposits not bearing interest		**6,001**	5,526	**6,001**	5,526
Deposits from banks		**226**	180	**47**	180
Commercial paper		**6,057**	4,765	**-**	-
UDC secured investments	28	**1,569**	1,492	**-**	-
Deposits from other members of ANZ New Zealand	23	**5**	940	**5**	940
Deposits and other borrowings from subsidiaries	23	**-**	-	**39,009**	33,246
Total deposits and other borrowings		**84,019**	78,816	**115,223**	105,805

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

19. Payables and Other Liabilities

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Creditors	**58**	61	**42**	29
Accrued interest and unearned discounts	**488**	456	**597**	538
Defined benefit schemes deficit	**20**	60	**20**	60
Share-based payments liability	**39**	39	**39**	39
Accrued charges	**227**	252	**182**	205
Security settlements and short sales	**226**	143	**226**	143
Life insurance contract liabilities - reinsurance	**104**	100	**-**	-
Liability for acceptances	**67**	31	**67**	31
Other liabilities	**68**	53	**36**	44
Total payables and other liabilities	**1,297**	1,195	**1,209**	1,089

20. Provisions

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Employee annual and long service leave	**114**	120	**113**	116
Other[1]	**90**	109	**69**	71
Total provisions	**204**	229	**182**	187

[1] Includes provisions for surplus leased space, make-good of leased premises, seismic obligations, and restructuring costs.

21. Bonds and Notes

$ millions	Note	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Domestic bonds		**3,250**	2,635	**3,250**	2,635
U.S. medium term notes[1]		**4,934**	4,464	**-**	-
Euro medium term notes[1]		**4,774**	4,349	**-**	-
Covered bonds[1]	**28, 34**	**3,928**	3,925	**-**	-
Index linked notes		**35**	84	**35**	84
Total bonds and notes issued		**16,921**	15,457	**3,285**	2,719
Fair value hedge adjustment		**129**	69	**-**	-
Less bonds and notes held by the Bank		**(8)**	(32)	**(8)**	(32)
Total bonds and notes		**17,042**	15,494	**3,277**	2,687

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

22. Subordinated Debt

	Banking Group		Bank	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
NZD 835,000,000 perpetual subordinated bond [1]	**835**	835	**835**	835
AUD 265,740,000 perpetual subordinated floating rate loan [1]	**298**	299	**298**	299
AUD 10,000,000 perpetual subordinated floating rate loan	**11**	11	**11**	11
Total subordinated debt issued	**1,144**	1,145	**1,144**	1,145
Less subordinated debt instruments held by the Bank	**-**	(1)	**-**	(1)
Total subordinated debt	**1,144**	1,144	**1,144**	1,144

[1] These instruments qualify as tier 2 capital under RBNZ's transitional rules. Refer to Note 26 for further details.

Subordinated debt 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.

Subordinated debt 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 2014, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond 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.

23. 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 below 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 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Key management personnel compensation				
Salaries and short-term employee benefits	**12,402**	13,210	**12,402**	13,210
Post-employment benefits	**387**	258	**387**	258
Other long-term benefits	**130**	76	**130**	76
Termination benefits	**-**	123	**-**	123
Share-based payments expense	**5,400**	5,693	**5,400**	5,693
Total compensation of key management personnel	**18,319**	19,360	**18,319**	19,360
Loans to and deposits held by key management personnel				
Loans to key management personnel	**7,661**	5,741	**7,661**	5,741
Deposits from key management personnel	**5,035**	8,001	**5,035**	8,001

Transactions with other related parties

The Bank and Banking Group undertake transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the Overseas Banking Group and associates.

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 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Ultimate Parent Bank and subsidiaries not part of the Banking Group				
Interest income	**3**	2	**3**	2
Interest expense	**28**	97	**19**	77
Fee income	**26**	25	**26**	25
Loss on sale of mortgages to the NZ Branch	**(23)**	(14)	**(23)**	(14)
Other operating income	**116**	16	**116**	16
Operating expenses	**81**	84	**81**	83
Mortgages sold to the NZ Branch	**3,393**	3,144	**3,393**	3,144
Immediate Parent Company				
Interest expense	**8**	19	**8**	19
Ordinary shares issued	**970**	-	**970**	-
Preference shares issued	**-**	300	**-**	300
Subsidiaries				
Interest income	**-**	-	**630**	506
Interest expense	**-**	-	**1,343**	1,619
Net funds management and insurance income	**-**	-	**64**	28
Dividends received	**-**	-	**137**	252
Operating expenses	**-**	-	**161**	139
Repayments of share capital received	**-**	-	**115**	1,907
Associates				
Interest expense	**3**	2	**3**	2
Dividends received	**-**	-	**4**	4
Share of associates' profit	**3**	7	**-**	-

Notes to the Financial Statements

Balances with related parties

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Ultimate Parent Bank and subsidiaries not part of the Banking Group				
Cash	**61**	95	**61**	95
Settlement balances receivable	**12**	22	**12**	22
Collateral paid	**125**	-	**125**	-
Derivative financial instruments	**3,747**	1,911	**3,747**	1,911
Other assets	**83**	65	**83**	65
Immediate Parent Company				
Derivative financial instruments	**-**	2	**-**	2
Subsidiaries				
Derivative financial instruments	**-**	-	**4**	4
Net loans and advances	**-**	-	**15,834**	12,193
Other assets	**-**	-	**129**	90
Investments in subsidiaries	**-**	-	**4,664**	4,779
Associates				
Investments in associates	**88**	98	**85**	85
Total due from related parties	**4,116**	2,193	**24,744**	19,246
Ultimate Parent Bank and subsidiaries not part of the Banking Group				
Settlement balances payable	**424**	351	**424**	351
Deposits and other borrowings	**182**	1	**3**	1
Derivative financial instruments	**3,819**	2,154	**3,819**	2,154
Payables and other liabilities	**9**	10	**9**	9
Bonds and notes	**-**	1,267	**-**	-
Subordinated debt	**309**	310	**309**	310
Immediate Parent Company				
Deposits and other borrowings	**4**	939	**4**	939
Derivative financial instruments	**1**	14	**1**	14
Payables and other liabilities	**1**	1	**1**	1
Subsidiaries				
Settlement balances payable	**-**	-	**472**	339
Deposits and other borrowings	**-**	-	**39,009**	33,246
Derivative financial instruments	**-**	-	**34**	9
Payables and other liabilities	**-**	-	**240**	183
Associates				
Deposits and other borrowings	**85**	85	**85**	85
Total due to related parties	**4,834**	5,132	**44,410**	37,641

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 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
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
Financial guarantees provided to the Ultimate Parent Bank	**180**	181	**180**	181
Undrawn credit commitments provided to the Immediate Parent Company	**250**	250	**250**	250
Undrawn credit commitments provided to subsidiaries	**-**	-	**1,225**	2,566

Notes to the Financial Statements

24. Current and Non-current Assets and Liabilities

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 27.

	Banking Group				Bank			
	30/09/2014		30/09/2013		30/09/2014		30/09/2013	
$ millions	**Current**	**Non-current**	Current	Non-current	**Current**	**Non-current**	Current	Non-current
Assets								
Cash	**1,822**	-	2,206	-	**1,822**	-	2,206	-
Settlement balances receivable	**855**	-	514	-	**858**	-	514	-
Collateral paid	**783**	-	1,002	-	**783**	-	1,002	-
Trading securities	**11,750**	-	10,320	-	**11,750**	-	10,319	-
Investment backing insurance contract liabilities	**190**	-	169	3	-	-	-	-
Derivative financial instruments	**11,404**	-	9,518	-	**11,408**	-	9,522	-
Current tax assets	-	-	-	-	**7**	-	62	-
Available-for-sale assets	**437**	**335**	567	375	**435**	**335**	565	375
Net loans and advances	**26,451**	**69,848**	29,226	61,611	**29,201**	**80,467**	30,841	69,928
Other assets	**588**	**60**	505	62	**641**	**60**	547	62
Insurance contract assets	-	**470**	-	399	-	-	-	-
Investments in subsidiaries and associates	-	**88**	-	98	-	**4,749**	-	4,864
Deferred tax assets	-	-	-	45	-	**63**	-	134
Premises and equipment	-	**380**	-	376	-	**54**	-	61
Goodwill and other Intangible assets	-	**3,454**	-	3,448	-	**3,312**	-	3,299
Total assets	**54,280**	**74,635**	54,027	66,417	**56,905**	**89,040**	55,578	78,723
Liabilities								
Settlement balances payable	**2,296**	-	1,428	-	**2,771**	-	1,767	-
Collateral Received	**800**	-	438	-	**800**	-	438	-
Deposits and other borrowings	**80,201**	**3,818**	76,262	2,554	**87,219**	**28,004**	79,035	26,770
Derivative financial instruments	**10,205**	-	10,243	-	**10,237**	-	10,252	-
Current tax liabilities	**67**	-	3	-	-	-	-	-
Deferred tax liabilities	-	**60**	-	-	-	-	-	-
Payables and other liabilities	**1,238**	**59**	1,096	99	**1,150**	**59**	990	99
Provisions	**117**	**87**	137	92	**97**	**85**	99	88
Bond and Notes	**3,944**	**13,098**	3,338	12,156	**599**	**2,678**	402	2,285
Subordinated debt	-	**1,144**	-	1,144	-	**1,144**	-	1,144
Total liabilities	**98,868**	**18,266**	92,945	16,045	**102,873**	**31,970**	92,983	30,386

Notes to the Financial Statements

25. Share Capital

Bank and Banking Group	Number of issued shares		$ millions	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Ordinary shares				
At beginning of the year	**1,700,755,498**	1,700,755,498	**6,943**	6,943
Issued during the year	**970,000,000**	-	**970**	-
Ordinary shares at end of the year	**2,670,755,498**	1,700,755,498	**7,913**	6,943
Preference shares				
At beginning of the year	**300,000,000**	-	**300**	-
Issued during the year	-	300,000,000	-	300
Preference shares at end of the year	**300,000,000**	300,000,000	**300**	300
Total share capital	**2,970,755,498**	2,000,755,498	**8,213**	7,243

Ordinary shares

650,712 of the ordinary shares are uncalled (30/09/2013 650,712 shares uncalled).

During the year ended 30 September 2014 the Bank paid ordinary dividends of $2,340 million (30/09/2013 $1,065 million) to the Immediate Parent Company (equivalent to $1.20 per share) (30/09/2013 equivalent to $0.63 per share).

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 1 capital" for capital adequacy purposes.

Notes to the Financial Statements

26. 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 1, tier 1 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.

Basel III capital ratios	**Banking Group**		**Bank**	
	30/09/2014	30/09/2013	**30/09/2014**	30/09/2013
Unaudited				
Common equity tier 1 capital	**10.7%**	10.4%	**9.4%**	9.2%
Tier 1 capital	**11.1%**	10.8%	**9.8%**	9.7%
Total capital	**12.3%**	12.4%	**11.1%**	11.3%
Buffer ratio	**4.3%**	4.4%		
RBNZ minimum ratios:				
Common equity tier 1 capital	**4.5%**	4.5%		
Tier 1 capital	**6.0%**	6.0%		
Total capital	**8.0%**	8.0%		
Buffer requirement	**2.5%**	n/a		

Notes to the Financial Statements

Capital of the Banking Group

$ millions	Unaudited 30/09/2014
Tier 1 capital	
Common equity tier 1 capital	
Paid up ordinary shares issued by the Bank	7,913
Retained earnings (net of appropriations)	3,575
Accumulated other comprehensive income and other disclosed reserves	(7)
Less deductions from common equity tier 1 capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	(3,441)
Cash flow hedge reserve	7
Expected losses to the extent greater than total eligible allowances for impairment	(221)
Common equity tier 1 capital	7,826
Additional tier 1 capital - preference shares	300
Total tier 1 capital	8,126
Tier 2 capital	
NZD 835,000,000 perpetual subordinated bond	835
AUD 265,740,000 perpetual subordinated loan	298
Less deductions from tier 2 capital	
Basel III transition adjustment[1]	(197)
Total tier 2 capital	936
Total capital	9,062

Capital requirements of the Banking Group

$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[2]	Total capital requirement
Unaudited 30/09/2014			
Exposures subject to internal ratings based approach	132,421	52,144	4,172
Specialised lending exposures subject to slotting approach	8,736	8,234	659
Exposures subject to standardised approach	2,323	336	26
Equity exposures	90	381	31
Other exposures	2,729	1,289	103
Total credit risk	146,299	62,384	4,991
Operational risk	n/a	5,336	427
Market risk	n/a	5,707	456
Total	146,299	73,427	5,874

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

[2] Total credit risk weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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
Bank	Qualifying Central Counterparty (QCCP)	Required by Basel III	Standardised

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

Unaudited 30/09/2014	Total exposure or principal amount $m	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures						
Corporate	33,731	33,854	35	54	19,491	1,559
Sovereign	9,864	9,686	5	1	117	9
Bank	3,971	3,456	59	26	946	76
Retail mortgages	50,712	50,944	21	25	13,697	1,097
Other retail	4,753	4,855	76	96	4,939	395
Total on-balance sheet exposures	103,031	102,795	28	36	39,190	3,136
Off-balance sheet exposures						
Corporate	12,150	10,132	51	47	5,048	404
Sovereign	186	106	5	1	1	-
Bank	1,491	1,145	52	18	215	17
Retail mortgages	6,386	6,712	17	16	1,124	90
Other retail	5,462	5,143	79	56	3,051	244
Total off-balance sheet exposures	25,675	23,238	47	38	9,439	755
Market related contracts						
Corporate	86,019	2,310	63	73	1,779	142
Sovereign	10,942	408	5	28	122	10
Bank	656,396	3,670	64	41	1,614	129
Total market related contracts	753,357	6,388	60	52	3,515	281
Total credit risk exposures subject to the IRB approach	882,063	132,421	33	37	52,144	4,172

Notes to the Financial Statements

IRB exposures by customer credit rating

Unaudited 30/09/2014	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporate						
0 - 2	0.05	5,348	65	34	1,930	154
3 - 4	0.31	24,952	37	40	10,578	846
5	1.00	9,910	36	64	6,686	535
6	2.23	4,350	39	86	3,945	316
7 - 8	7.41	1,175	40	134	1,674	134
Default	100.00	561	47	253	1,505	120
Total corporate exposures	2.00	46,296	40	54	26,318	2,105
Sovereign						
0	0.01	9,320	5	2	223	18
1 - 8	0.02	880	5	2	17	1
Total sovereign exposures	0.01	10,200	5	2	240	19
Bank						
0	0.03	23	65	11	3	-
1	0.03	6,407	60	29	1,979	158
2 - 4	0.09	1,810	62	40	758	61
5 - 8	1.21	31	63	107	35	3
Total bank exposures	0.05	8,271	60	32	2,775	222
Retail mortgages						
0 - 3	0.20	13,014	12	5	662	53
4	0.46	19,939	19	15	3,089	247
5	0.93	18,864	25	34	6,764	541
6	2.04	4,868	29	67	3,450	276
7 - 8	5.24	521	29	111	616	49
Default	100.00	450	26	50	240	21
Total retail mortgages exposures	1.51	57,656	20	24	14,821	1,187
Other retail						
0 - 2	0.10	670	78	48	344	28
3 - 4	0.30	4,759	78	55	2,797	224
5	1.13	1,597	71	75	1,278	102
6	2.60	1,580	76	96	1,609	129
7 - 8	9.56	1,306	88	135	1,875	150
Default	100.00	86	79	94	87	6
Total other retail exposures	2.85	9,998	78	75	7,990	639
Total credit risk exposures subject to the IRB approach	1.57	132,421	33	37	52,144	4,172

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

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Unaudited 30/09/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	2,150	70	1,596	128
Good	4,278	90	4,081	326
Satisfactory	862	115	1,051	84
Weak	132	250	345	28
Default	135	-	-	-
Total on-balance sheet exposures	7,557	88	7,073	566

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	1,455	1,117	91	1,079	86
Market related contracts	2,073	62	124	82	7
Total off-balance sheet exposures	3,528	1,179	93	1,161	93

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

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

Credit risk exposures subject to the standardised approach

Unaudited 30/09/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	59	100	62	5
Default	1	150	1	-
Total on-balance sheet exposures	60	101	63	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	526	47	246	88	230	18
Market related contracts	231,640	1	2,017	2	43	3
Total off balance sheet	232,166	n/a	2,263	11	273	21

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

Equity exposures

Unaudited 30/09/2014	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All equity holdings not deducted from capital	90	400	381	31

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

Unaudited 30/09/2014	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	1,309	-	-	-
Other assets	1,216	100	1,289	103
Total other IRB credit risk exposures	2,729	45	1,289	103

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 2014, under the IRB approach, the Banking Group had $1,121 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 2014 the Banking Group had an implied risk weighted exposure of $5,336 million for operational risk and an operational risk capital requirement of $427 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 2014.

	Implied risk weighted exposure		Aggregate capital charge		Peak
$ millions	Period end	Peak	Period end	Peak	occurred on
Unaudited 30/09/2014					
Interest rate risk	5,653	5,829	452	466	26/09/2014
Foreign currency risk	52	162	4	13	16/07/2014
Equity risk	2	2	-	-	1/07/2014
	5,707		456		

Notes to the Financial Statements

Pillar II capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier 1 and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is $369 million (30/09/2013 $343 million).

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

Capital adequacy of the Ultimate Parent Bank

Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	30/09/2014	30/09/2013	**30/09/2014**	30/09/2013
Unaudited				
Common equity tier 1 capital	**8.8%**	8.5%	**9.1%**	8.5%
Tier 1 capital	**10.7%**	10.4%	**11.3%**	10.6%
Total capital	**12.7%**	12.2%	**13.4%**	12.5%

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

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio (PCR) as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 30 September 2014 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2014. The Overseas Banking Group’s Pillar 3 disclosure document for the quarter ended 30 September 2014, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Notes to the Financial Statements

Residential mortgages by loan-to-valuation ratio

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

Unaudited $ millions	30/09/2014 On-balance sheet	 Off-balance sheet	 Total
LVR range			
Does not exceed 60%	19,161	3,531	22,692
Exceeds 60% and not 70%	9,445	982	10,427
Exceeds 70% and not 80%	15,151	1,440	16,591
Does not exceed 80%	43,757	5,953	49,710
Exceeds 80% and not 90%	4,489	211	4,700
Exceeds 90%	2,466	222	2,688
Total	50,712	6,386	57,098

Reconciliation of mortgage related amounts

Unaudited $ millions	Note	30/09/2014
Term loans - housing	12	52,717
Add: fair value hedging adjustment		23
Add: short-term housing loans classified as overdrafts		490
Less: housing loans made to corporate customers		(2,592)
Gross retail mortgage loans	27	50,638
Add: Unsettled re-purchases of mortgages from the NZ Branch		74
On-balance sheet retail mortgage exposures subject to the IRB approach		50,712
Add: off-balance sheet retail mortgage exposures subject to the IRB approach		6,386
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)		57,098

Notes to the Financial Statements

27. 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.

Notes to the Financial Statements

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 on the following tables:

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 Net loans and advances exclude individual and collective provisions for credit impairment held in respect of credit related commitments.
4 Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

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30/09/2014 $ millions	Cash, settlements receivable and collateral paid	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances[3]	Other financial assets	Credit related commitments[4]	Total
	Banking Group						
Industry							
Agriculture	-	-	9	17,362	76	1,364	18,811
Forestry, fishing and mining	-	-	8	1,122	5	914	2,049
Business and property services	-	-	16	9,504	42	2,499	12,061
Construction	-	-	-	1,214	5	935	2,154
Entertainment, leisure and tourism	-	-	25	1,026	5	238	1,294
Finance and insurance	1,947	5,526	10,061	972	322	1,426	20,254
Government and local authority[1]	1,309	6,857	630	1,256	6	1,305	11,363
Manufacturing	-	25	177	3,030	13	2,067	5,312
Personal lending	-	-	-	54,751	241	15,106	70,098
Retail trade	-	-	20	2,029	9	968	3,026
Transport and storage	-	12	31	1,484	7	730	2,264
Wholesale trade	-	-	15	1,384	6	1,290	2,695
Other[2]	-	102	412	1,835	8	1,736	4,093
	3,256	12,522	11,404	96,969	745	30,578	155,474
Less: Provision for credit impairment	-	-	-	(561)	-	(105)	(666)
Less: Unearned income	-	-	-	(212)	-	-	(212)
Add: Capitalised brokerage/mortgage origination fees	-	-	-	208	-	-	208
Total financial assets	3,256	12,522	11,404	96,404	745	30,473	154,804
Geography							
New Zealand	2,566	8,339	2,664	94,236	735	30,293	138,833
Overseas	690	4,183	8,740	2,168	10	180	15,971
Total financial assets	3,256	12,522	11,404	96,404	745	30,473	154,804

30/09/2013							
Industry							
Agriculture	-	29	22	17,469	70	1,229	18,819
Forestry, fishing and mining	-	-	11	940	4	894	1,849
Business and property services	-	1	24	8,899	36	2,363	11,323
Construction	-	-	-	1,033	4	709	1,746
Entertainment, leisure and tourism	-	-	27	1,031	4	326	1,388
Finance and insurance	1,760	5,284	8,586	670	291	1,517	18,108
Government and local authority[1]	1,764	5,872	248	1,250	5	1,022	10,161
Manufacturing	-	-	69	2,970	12	1,996	5,047
Personal lending	-	-	-	51,407	206	11,811	63,424
Retail trade	-	-	40	1,820	7	991	2,858
Transport and storage	-	3	54	1,472	6	610	2,145
Wholesale trade	-	-	13	1,315	5	1,369	2,702
Other[2]	-	73	424	1,445	6	2,627	4,575
	3,524	11,262	9,518	91,721	656	27,464	144,145
Less: Provision for credit impairment	-	-	-	(689)	-	(137)	(826)
Less: Unearned income	-	-	-	(214)	-	-	(214)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	156	-	-	156
Total financial assets	3,524	11,262	9,518	90,974	656	27,327	143,261
Geography							
New Zealand	3,037	7,843	2,523	88,989	648	27,146	130,186
Overseas	487	3,419	6,995	1,985	8	181	13,075
Total financial assets	3,524	11,262	9,518	90,974	656	27,327	143,261

Notes to the Financial Statements

30/09/2014 $ millions	Bank Cash, settlements receivable and collateral paid	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances[3]	Other financial assets	Credit related commitments[4]	Total
Industry							
Agriculture	-	-	9	17,001	85	1,364	18,459
Forestry, fishing and mining	-	-	8	924	5	914	1,851
Business and property services	-	-	16	9,383	47	2,499	11,945
Construction	-	-	-	873	4	935	1,812
Entertainment, leisure and tourism	-	-	25	1,008	5	238	1,276
Finance and insurance	1,950	5,524	10,065	16,800	155	2,368	36,862
Government and local authority[1]	1,309	6,857	630	1,110	6	1,305	11,217
Manufacturing	-	25	177	2,935	15	2,067	5,219
Personal lending	-	-	-	54,175	271	15,106	69,552
Retail trade	-	-	20	1,828	9	968	2,825
Transport and storage	-	12	31	1,046	5	730	1,824
Wholesale trade	-	-	15	1,310	7	1,290	2,622
Other[2]	-	102	412	1,757	9	1,736	4,016
	3,259	12,520	11,408	110,150	623	31,520	169,480
Less: Provision for credit impairment	-	-	-	(530)	-	(104)	(634)
Less: Unearned income	-	-	-	(56)	-	-	(56)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	208	-	-	208
Total financial assets	3,259	12,520	11,408	109,772	623	31,416	168,998
Geography							
New Zealand	2,569	8,337	2,668	107,604	612	31,236	153,026
Overseas	690	4,183	8,740	2,168	11	180	15,972
Total financial assets	3,259	12,520	11,408	109,772	623	31,416	168,998

30/09/2013							
Industry							
Agriculture	-	29	22	17,162	78	1,204	18,495
Forestry, fishing and mining	-	-	11	793	4	871	1,679
Business and property services	-	1	24	8,778	40	2,340	11,183
Construction	-	-	-	738	3	658	1,399
Entertainment, leisure and tourism	-	-	27	1,005	5	324	1,361
Finance and insurance	1,760	5,281	8,590	13,003	126	4,242	33,002
Government and local authority[1]	1,764	5,872	248	1,075	5	1,022	9,986
Manufacturing	-	-	69	2,856	13	1,987	4,925
Personal lending	-	-	-	50,733	231	11,801	62,765
Retail trade	-	-	40	1,631	7	934	2,612
Transport and storage	-	3	54	1,081	5	546	1,689
Wholesale trade	-	-	13	1,253	6	1,351	2,623
Other[2]	-	73	424	1,362	6	2,623	4,488
	3,524	11,259	9,522	101,470	529	29,903	156,207
Less: Provision for credit impairment	-	-	-	(655)	-	(134)	(789)
Less: Unearned income	-	-	-	(68)	-	-	(68)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	156	-	-	156
Total financial assets	3,524	11,259	9,522	100,903	529	29,769	155,506
Geography							
New Zealand	3,037	7,840	2,527	98,918	520	29,588	142,430
Overseas	487	3,419	6,995	1,985	9	181	13,076
Total financial assets	3,524	11,259	9,522	100,903	529	29,769	155,506

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	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
30/09/2014						
On and off-balance sheet positions						
Cash	**1,618**	**309**	**1,309**	**1,618**	**309**	**1,309**
Settlement balances receivable	**855**	**746**	**109**	**858**	**746**	**112**
Collateral paid	**783**	**-**	**783**	**783**	**-**	**783**
Trading securities	**11,750**	**-**	**11,750**	**11,750**	**-**	**11,750**
Derivative financial instruments	**11,404**	**800**	**10,604**	**11,408**	**800**	**10,608**
Available-for-sale assets	**772**	**-**	**772**	**770**	**-**	**770**
Net loans and advances	**96,404**	**85,947**	**10,457**	**109,772**	**83,513**	**26,259**
Other financial assets	**745**	**380**	**365**	**623**	**380**	**243**
Credit related commitments	**30,473**	**15,340**	**15,133**	**31,416**	**15,876**	**15,540**
Total exposure to credit risk	**154,804**	**103,522**	**51,282**	**168,998**	**101,624**	**67,374**
30/09/2013						
On and off-balance sheet positions						
Cash	2,008	310	1,698	2,008	310	1,698
Settlement balances receivable	514	254	260	514	254	260
Collateral paid	1,002	-	1,002	1,002	-	1,002
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	942	-	942	940	-	940
Net loans and advances	90,974	81,385	9,589	100,903	79,317	21,586
Other financial assets	656	329	327	529	329	200
Credit related commitments	27,327	12,769	14,558	29,769	14,719	15,050
Total exposure to credit risk	143,261	95,485	47,776	155,506	95,367	60,139

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.

Notes to the Financial Statements

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 or 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
30/09/2014								
Strong risk rating	**41,515**	**1,428**	**21,804**	**64,747**	**41,515**	**1,427**	**37,027**	**79,969**
Satisfactory risk rating	**7,530**	**2,721**	**17,040**	**27,291**	**7,530**	**1,705**	**16,168**	**25,403**
Substandard but not past due or impaired	**580**	**313**	**1,254**	**2,147**	**580**	**291**	**1,199**	**2,070**
Total neither past due nor impaired	**49,625**	**4,462**	**40,098**	**94,185**	**49,625**	**3,423**	**54,394**	**107,442**
Past due but not impaired:								
1 to 5 days	**342**	**121**	**580**	**1,043**	**342**	**113**	**574**	**1,029**
6 to 29 days	**198**	**91**	**190**	**479**	**198**	**69**	**188**	**455**
1 to 29 days	**540**	**212**	**770**	**1,522**	**540**	**182**	**762**	**1,484**
30 to 59 days	**133**	**31**	**116**	**280**	**133**	**25**	**111**	**269**
60 to 89 days	**63**	**16**	**52**	**131**	**63**	**13**	**51**	**127**
90 days and over	**88**	**30**	**32**	**150**	**88**	**25**	**33**	**146**
Total past due but not impaired	**824**	**289**	**970**	**2,083**	**824**	**245**	**957**	**2,026**
Total impaired assets	**189**	**35**	**410**	**634**	**189**	**35**	**391**	**615**
Gross loans and advances	**50,638**	**4,786**	**41,478**	**96,902**	**50,638**	**3,703**	**55,742**	**110,083**
30/09/2013								
Strong risk rating	38,140	1,342	20,952	60,434	38,140	1,342	32,510	71,992
Satisfactory risk rating	7,550	2,519	15,591	25,660	7,550	1,562	14,898	24,010
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	38,335	88,933	46,411	3,211	49,132	98,754
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	673	901	179	49	649	877
Gross loans and advances	47,346	4,565	39,779	91,690	47,346	3,553	50,540	101,439

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.

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:

Notes to the Financial Statements

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.

Traded market risks

	Banking Group Value at risk at 99% confidence			
$ millions	**Period end**	**High for year**	**Low for year**	**Average for year**
30/09/2014				
Foreign exchange risk	**0.3**	**1.1**	**-**	**0.4**
Interest rate risk	**1.5**	**3.1**	**0.9**	**1.8**
Credit spread risk	**0.3**	**0.6**	**0.1**	**0.3**
Diversification benefit	**(0.6)**	**n/a**	**n/a**	**(0.7)**
Total VaR	**1.5**	**3.3**	**0.9**	**1.8**
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

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**
30/09/2014				
Value at risk at 99% confidence	**10.7**	**10.7**	**8.0**	**8.9**
30/09/2013				
Value at risk at 99% confidence	9.2	14.3	7.7	11.1

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	
	30/09/2014	30/09/2013
Impact of 1% rate shock		
Period end	**1.1%**	1.1%
Maximum exposure	**1.9%**	2.0%
Minimum exposure	**0.8%**	0.6%
Average exposure (in absolute terms)	**1.3%**	1.3%

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

	Banking Group						
$ millions	Total	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Not bearing interest
30/09/2014							
Assets							
Cash	**1,822**	**1,618**	**-**	**-**	**-**	**-**	**204**
Settlement balances receivable	**855**	**53**	**-**	**-**	**-**	**-**	**802**
Collateral paid	**783**	**783**	**-**	**-**	**-**	**-**	**-**
Trading securities	**11,750**	**1,388**	**304**	**1,631**	**418**	**8,009**	**-**
Derivative financial instruments	**11,404**	**-**	**-**	**-**	**-**	**-**	**11,404**
Available-for-sale assets	**772**	**262**	**10**	**250**	**-**	**248**	**2**
Net loans and advances	**96,299**	**54,390**	**6,201**	**10,603**	**16,408**	**9,148**	**(451)**
Other financial assets	**745**	**137**	**35**	**18**	**-**	**-**	**555**
Total financial assets	**124,430**	**58,631**	**6,550**	**12,502**	**16,826**	**17,405**	**12,516**
Liabilities							
Settlement balances payable	**2,296**	**512**	**-**	**-**	**-**	**-**	**1,784**
Collateral received	**800**	**800**	**-**	**-**	**-**	**-**	**-**
Deposits and other borrowings	**84,019**	**55,782**	**10,852**	**7,566**	**2,371**	**1,447**	**6,001**
Derivative financial instruments	**10,205**	**-**	**-**	**-**	**-**	**-**	**10,205**
Bonds and notes	**17,042**	**5,149**	**267**	**1,971**	**2,811**	**6,844**	**-**
Subordinated debt	**1,144**	**-**	**309**	**-**	**-**	**835**	**-**
Other financial liabilities	**833**	**131**	**-**	**10**	**6**	**146**	**540**
Total financial liabilities	**116,339**	**62,374**	**11,428**	**9,547**	**5,188**	**9,272**	**18,530**
Hedging instruments	**-**	**7,532**	**2,598**	**3,867**	**(11,308)**	**(2,689)**	**-**
Interest sensitivity gap	**8,091**	**3,789**	**(2,280)**	**6,822**	**330**	**5,444**	**(6,014)**
30/09/2013							
Assets							
Cash	2,206	2,018	-	-	-	-	188
Settlement balances receivable	514	34	-	-	-	-	480
Collateral paid	1,002	1,002	-	-	-	-	-
Trading securities	10,320	1,235	455	606	3,105	4,919	-
Derivative financial instruments	9,518	-	-	-	-	-	9,518
Available-for-sale assets	942	337	234	23	250	96	2
Net loans and advances	90,837	58,760	5,116	10,828	10,917	5,759	(543)
Other financial assets	656	103	30	36	3	-	484
Total financial assets	115,995	63,489	5,835	11,493	14,275	10,774	10,129
Liabilities							
Settlement balances payable	1,428	547	-	-	-	-	881
Collateral received	438	438	-	-	-	-	-
Deposits and other borrowings	78,816	53,086	9,419	8,231	1,437	1,117	5,526
Derivative financial instruments	10,243	-	-	-	-	-	10,243
Bonds and notes	15,494	4,867	47	266	2,933	7,381	-
Subordinated debt	1,144	-	309	-	-	835	-
Payables and other liabilities	703	22	-	-	-	126	555
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)

Notes to the Financial Statements

				Bank			
$ millions	Total	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Not bearing interest
30/09/2014							
Assets							
Cash	**1,822**	**1,618**	**-**	**-**	**-**	**-**	**204**
Settlement balances receivable	**858**	**52**	**-**	**-**	**-**	**-**	**806**
Collateral paid	**783**	**783**	**-**	**-**	**-**	**-**	**-**
Trading securities	**11,750**	**1,388**	**304**	**1,631**	**418**	**8,009**	**-**
Derivative financial instruments	**11,408**	**-**	**-**	**-**	**-**	**-**	**11,408**
Available-for-sale assets	**770**	**262**	**10**	**250**	**-**	**248**	**-**
Net loans and advances	**109,668**	**68,677**	**6,086**	**10,400**	**16,076**	**8,859**	**(430)**
Other financial assets	**623**	**-**	**-**	**-**	**-**	**-**	**623**
Total financial assets	**137,682**	**72,780**	**6,400**	**12,281**	**16,494**	**17,116**	**12,611**
Liabilities							
Settlement balances payable	**2,771**	**512**	**-**	**-**	**-**	**-**	**2,259**
Collateral received	**800**	**800**	**-**	**-**	**-**	**-**	**-**
Deposits and other borrowings	**115,223**	**68,297**	**12,343**	**11,571**	**8,665**	**8,346**	**6,001**
Derivative financial instruments	**10,237**	**-**	**-**	**-**	**-**	**-**	**10,237**
Bonds and notes	**3,277**	**1,255**	**250**	**349**	**150**	**1,273**	**-**
Subordinated debt	**1,144**	**-**	**309**	**-**	**-**	**835**	**-**
Payables and other liabilities	**913**	**131**	**-**	**10**	**6**	**146**	**620**
Total financial liabilities	**134,365**	**70,995**	**12,902**	**11,930**	**8,821**	**10,600**	**19,117**
Hedging instruments	**-**	**(2,276)**	**4,360**	**6,608**	**(7,448)**	**(1,244)**	**-**
Interest sensitivity gap	**3,317**	**(491)**	**(2,142)**	**6,959**	**225**	**5,272**	**(6,506)**
30/09/2013							
Assets							
Cash	2,206	2,018	-	-	-	-	188
Settlement balances receivable	514	34	-	-	-	-	480
Collateral paid	1,002	1,002	-	-	-	-	-
Trading securities	10,319	1,234	455	606	3,105	4,919	-
Derivative financial instruments	9,522	-	-	-	-	-	9,522
Available-for-sale assets	940	337	234	23	250	96	-
Net loans and advances	100,769	69,647	5,007	10,630	10,496	5,507	(518)
Other financial assets	529	14	-	-	-	-	515
Total financial assets	125,801	74,286	5,696	11,259	13,851	10,522	10,187
Liabilities							
Settlement balances payable	1,767	1,077	-	-	-	-	690
Collateral received	438	438	-	-	-	-	-
Deposits and other borrowings	105,805	65,840	10,513	10,086	5,861	7,949	5,556
Derivative financial instruments	10,252	-	-	-	-	-	10,252
Bonds and notes	2,687	847	-	235	596	1,009	-
Subordinated debt	1,144	-	309	-	-	835	-
Payables and other liabilities	745	43	-	-	-	126	576
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)

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 2014 was $2 million (30/09/2013 $2 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	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Net open position				
Australian dollar	**4**	32	**4**	32
Euro	**37**	1	**37**	1
Japanese yen	**9**	(1)	**9**	(1)
US dollar	**(14)**	(1)	**(14)**	(1)
Swiss franc	**(37)**	-	**(37)**	-
Other	**1**	1	**1**	1
Total net open position	-	32	-	32

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 2014 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.

Notes to the Financial Statements

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.

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.

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

Funding composition	Banking Group		Bank	
$ millions	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Customer deposits[1]				
New Zealand	**67,759**	62,309	**66,303**	60,926
Overseas	**8,596**	8,258	**8,483**	8,149
Total customer deposits	**76,355**	70,567	**74,786**	69,075
Wholesale funding				
Bonds and notes	**17,042**	15,494	**3,277**	2,687
Subordinated debt	**1,144**	1,144	**1,144**	1,144
Certificates of deposit	**1,376**	2,364	**1,376**	2,364
Commercial paper	**6,057**	4,765	**-**	-
Other borrowings	**231**	1,120	**39,061**	34,366
Total wholesale funding	**25,850**	24,887	**44,858**	40,561
Total funding	**102,205**	95,454	**119,644**	109,636
Concentrations of funding by industry				
Agriculture	**2,996**	2,312	**2,996**	2,312
Forestry, fishing and mining	**544**	613	**544**	613
Business and property services	**5,576**	5,148	**5,576**	5,148
Construction	**1,044**	882	**1,044**	882
Entertainment, leisure and tourism	**922**	737	**922**	737
Finance and insurance	**35,327**	34,803	**54,335**	50,477
Government and local authority	**2,434**	2,166	**2,434**	2,166
Manufacturing	**1,458**	1,416	**1,458**	1,416
Households	**47,600**	43,286	**46,031**	41,794
Retail trade	**994**	954	**994**	954
Transport and storage	**772**	636	**772**	636
Wholesale trade	**1,029**	1,086	**1,029**	1,086
Other[2]	**1,509**	1,415	**1,509**	1,415
Total funding	**102,205**	95,454	**119,644**	109,636
Concentrations of funding by geography[3]				
New Zealand	**72,969**	69,188	**110,522**	101,051
Australia	**1,321**	1,215	**1,305**	1,199
United States	**11,518**	9,822	**941**	555
Europe	**10,464**	9,508	**998**	1,166
Other countries	**5,933**	5,721	**5,878**	5,665
Total funding	**102,205**	95,454	**119,644**	109,636

1 Represents term deposits, other deposits bearing interest, deposits not bearing interest and UDC secured investments.
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.

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	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Balances with central banks	**1,309**	1,709	**1,309**	1,709
Securities purchased under agreement to resell	-	41	-	41
Certificates of deposit	**159**	159	**159**	159
Government, local body stock and bonds	**6,318**	5,522	**6,318**	5,522
Government treasury bills	**380**	387	**380**	387
Other bonds	**5,135**	5,069	**5,135**	5,069
Total liquidity portfolio	**13,301**	12,887	**13,301**	12,887

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 2014 the Banking Group would be eligible to enter into repurchase transactions with a value of $11,536 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 $5,709 million at 30 September 2014 (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 mark-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.

			Banking Group				
30/09/2014 $ millions	Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	1,822	1,513	309	-	-	-	-
Settlement balances receivable	855	514	341	-	-	-	-
Collateral paid	783	-	783	-	-	-	-
Trading securities	13,325	-	818	2,491	8,172	1,844	-
Derivative financial assets (trading)	10,736	-	10,736	-	-	-	-
Available-for-sale assets	826	-	163	279	382	-	2
Net loans and advances	135,691	350	15,607	15,900	45,713	58,121	-
Other financial assets	319	-	266	53	-	-	-
Total financial assets	164,357	2,377	29,023	18,723	54,267	59,965	2
Financial liabilities							
Settlement balances payable	2,296	999	1,297	-	-	-	-
Collateral received	800	-	800	-	-	-	-
Deposits and other borrowings	85,550	40,270	20,109	20,913	4,258	-	-
Derivative financial liabilities (trading)	9,353	-	9,353	-	-	-	-
Bonds and notes	17,935	-	1,014	3,184	13,116	621	-
Subordinated debt	1,754	-	14	42	241	313	1,144
Other financial liabilities	405	-	172	17	61	155	-
Total financial liabilities	118,093	41,269	32,759	24,156	17,676	1,089	1,144
Derivative financial instruments used for balance sheet management							
- gross inflows	15,953	-	2,700	2,884	9,485	884	-
- gross outflows	(15,957)	-	(2,617)	(2,840)	(9,600)	(900)	-
Net financial assets / (liabilities) after balance sheet management	46,260	(38,892)	(3,653)	(5,389)	36,476	58,860	(1,142)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	483	102	381
Credit related commitments	28,142	28,142	-
Contingent liabilities	2,436	2,436	-
Total	31,061	30,680	381

Notes to the Financial Statements

30/09/2013 $ millions	Banking Group Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	2,206	1,896	310	-	-	-	-
Settlement balances receivable	518	351	167	-	-	-	-
Collateral paid	1,002	-	1,002	-	-	-	-
Trading securities	11,528	-	412	1,617	8,429	1,070	-
Derivative financial assets (trading)	8,536	-	8,536	-	-	-	-
Available-for-sale assets	983	-	296	271	324	90	2
Net loans and advances	123,499	350	15,534	17,685	38,271	51,659	-
Other financial assets	287	-	218	66	3	-	-
Total financial assets	148,559	2,597	26,475	19,639	47,027	52,819	2
Financial liabilities							
Settlement balances payable	1,430	879	551	-	-	-	-
Collateral received	438	-	438	-	-	-	-
Deposits and other borrowings	80,146	34,793	22,676	19,825	2,846	6	-
Derivative financial liabilities (trading)	9,526	-	9,526	-	-	-	-
Bonds and notes	16,442	-	1,614	1,979	11,359	1,490	-
Subordinated debt	1,529	-	14	41	275	55	1,144
Other financial liabilities	287	-	107	4	31	145	-
Total financial liabilities	109,798	35,672	34,926	21,849	14,511	1,696	1,144
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)	(8,394)	(1,857)	32,917	51,138	(1,142)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	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

30/09/2014 $ millions	Total	At call	Bank Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	1,822	1,513	309	-	-	-	-
Settlement balances receivable	858	514	344	-	-	-	-
Collateral paid	783	-	783	-	-	-	-
Trading securities	13,324	-	817	2,491	8,172	1,844	-
Derivative financial assets (trading)	10,740	-	10,740	-	-	-	-
Available-for-sale assets	824	-	163	279	382	-	-
Net loans and advances	162,614	349	18,631	15,932	50,464	77,238	-
Other financial assets	92	-	92	-	-	-	-
Total financial assets	191,057	2,376	31,879	18,702	59,018	79,082	-
Financial liabilities							
Settlement balances payable	2,771	999	1,772	-	-	-	-
Collateral received	800	-	800	-	-	-	-
Deposits and other borrowings	127,981	40,081	25,396	23,835	20,232	18,437	-
Derivative financial liabilities (trading)	9,353	-	9,353	-	-	-	-
Bonds and notes	3,734	-	15	746	2,761	212	-
Subordinated debt	1,754	-	14	42	241	313	1,144
Other financial liabilities	603	-	370	17	61	155	-
Total financial liabilities	146,996	41,080	37,720	24,640	23,295	19,117	1,144
Derivative financial instruments used for balance sheet management							
- gross inflows	21,186	-	2,813	3,223	11,120	4,030	-
- gross outflows	(29,526)	-	(2,729)	(3,173)	(11,377)	(12,247)	-
Net financial assets / (liabilities) after balance sheet management	35,721	(38,704)	(5,757)	(5,888)	35,466	51,748	(1,144)

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	482	102	380
Credit related commitments	29,085	29,085	-
Contingent liabilities	2,435	2,435	-
Total	32,002	31,622	380

Notes to the Financial Statements

30/09/2013 $ millions	Bank Total	At call	Up to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	No maturity specified
Financial assets							
Cash	2,206	1,896	310	-	-	-	-
Settlement balances receivable	515	354	161	-	-	-	-
Collateral paid	1,002	-	1,002	-	-	-	-
Trading securities	11,528	-	412	1,617	8,429	1,070	-
Derivative financial assets (trading)	8,536	-	8,536	-	-	-	-
Available-for-sale assets	981	-	296	271	324	90	-
Net loans and advances	141,689	346	17,598	17,218	41,491	65,036	-
Other financial assets	64	-	64	-	-	-	-
Total financial assets	166,521	2,596	28,379	19,106	50,244	66,196	-
Financial liabilities							
Settlement balances payable	1,769	879	890	-	-	-	-
Collateral received	438	-	438	-	-	-	-
Deposits and other borrowings	115,179	34,794	24,360	21,767	19,914	14,344	-
Derivative financial liabilities (trading)	9,526	-	9,526	-	-	-	-
Bonds and notes	3,046	-	117	356	2,111	462	-
Subordinated debt	1,528	-	13	41	275	55	1,144
Other financial liabilities	463	-	283	4	31	145	-
Total financial liabilities	131,949	35,673	35,627	22,168	22,331	15,006	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

	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

28. Financial Assets Pledged as Collateral and Offsetting Financial Instruments

$ millions	Note	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Cash collateral given on derivative financial instruments		**783**	1,002	**783**	1,002
Trading securities encumbered through repurchase agreements		**47**	108	**47**	108
Residential mortgages pledged as security for covered bonds	**21, 34**	**7,283**	5,857	**7,283**	5,857
Assets pledged as collateral for UDC secured investments	**18**	**2,354**	2,162	**-**	-
Total financial assets pledged as collateral		**10,467**	9,129	**8,113**	6,967

UDC secured investments are constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. UDC Finance Limited has granted a charge over all its assets and undertaking, primarily net loans and advances, in favour of the Trustee.

Offsetting financial assets and financial liabilities

The following information relates to financial assets and liabilities which have been set off in the balance sheet and those which have not been set off but for which the Banking Group has enforceable master netting agreements in place with counterparties.

Notes to the Financial Statements

	Banking Group					
				Related amounts not offset[1]		
$ millions	Gross amounts	Amounts set off in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral	Net amounts
30/09/2014						
Financial assets						
Collateral paid	**284**	-	**284**	-	**(182)**	**102**
Trading securities[2]	**47**	-	**47**	**(47)**	-	-
Derivative financial instruments	**8,482**	-	**8,482**	**(7,606)**	**(716)**	**160**
Financial liabilities						
Collateral received	**753**	-	**753**	-	**(716)**	**37**
Securities sold under agreements to repurchase[3]	**47**	-	**47**	**(47)**	-	-
Derivative financial instruments	**7,858**	-	**7,858**	**(7,606)**	**(182)**	**70**
30/09/2013						
Financial assets						
Collateral paid	145	-	145	-	(94)	51
Trading securities[2]	108	-	108	(107)	-	1
Derivative financial instruments	6,085	-	6,085	(5,920)	(123)	42
Financial liabilities						
Collateral received	136	-	136	-	(123)	13
Securities sold under agreements to repurchase[3]	107	-	107	(107)	-	-
Derivative financial instruments	6,155	-	6,155	(5,920)	(94)	141

	Bank					
				Related amounts not offset[1]		
$ millions	Gross amounts	Amounts set off in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral	Net amounts
30/09/2014						
Financial assets						
Collateral paid	**284**	-	**284**	-	**(182)**	**102**
Trading securities[2]	**47**	-	**47**	**(47)**	-	-
Loans to subsidiaries	**905**	**(905)**	-	-	-	-
Derivative financial instruments	**8,482**	-	**8,482**	**(7,606)**	**(716)**	**160**
Financial liabilities						
Collateral received	**753**	-	**753**	-	**(716)**	**37**
Securities sold under agreements to repurchase[3]	**47**	-	**47**	**(47)**	-	-
Deposits and other borrowings from subsidiaries	**905**	**(905)**	-	-	-	-
Derivative financial instruments	**7,858**	-	**7,858**	**(7,606)**	**(182)**	**70**
30/09/2013						
Financial assets						
Collateral paid	145	-	145	-	(94)	51
Trading securities[2]	108	-	108	(107)	-	1
Loans to subsidiaries	902	(902)	-	-	-	-
Derivative financial instruments	6,085	-	6,085	(5,920)	(123)	42
Financial liabilities						
Collateral received	136	-	136	-	(123)	13
Securities sold under agreements to repurchase[3]	107	-	107	(107)	-	-
Deposits and other borrowings from subsidiaries	902	(902)	-	-	-	-
Derivative financial instruments	6,155	-	6,155	(5,920)	(94)	141

[1] The Banking Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Banking Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non payment or default and, as a result, these arrangements do not qualify for offsetting under NZ IAS 32 *Financial Instruments: Presentation*.

[2] This is the amount of trading securities encumbered through repurchase agreements, see financial assets pledged as collateral table in this note.

[3] Included in deposits from banks, see note 18.

Notes to the Financial Statements

29. 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 2014 there were no individual counterparties (excluding connected parties, governments and banks with long term credit ratings of A- or above) where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of 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 1 capital) in respect of certain transactions which are the subject of a bilateral netting agreement.

This information has been derived in accordance with the Bank's conditions of registration, the RBNZ document *Connected Exposures Policy* (BS8). The exposures are net of individual credit impairment allowances and exclude advances to connected persons of a capital nature.

Banking Group	**30/09/2014**		30/09/2013	
	Amount $m	**% of Tier 1 Capital**	Amount $m	% of Tier 1 Capital
Aggregate at end of year[1]				
Bank connected persons (on gross basis, before netting)	**7,318**	**90.0%**	4,065	52.0%
Less: amount netted off	**5,747**	**70.7%**	3,073	39.3%
Bank connected persons (on partial bilateral net basis)	**1,571**	**19.3%**	992	12.7%
Peak end-of-day for the year[2]				
Bank connected persons (on gross basis, before netting)	**6,510**	**80.1%**	5,696	72.8%
Less: amount netted off	**4,254**	**52.4%**	3,334	42.6%
Bank connected persons (on partial bilateral net basis)	**2,256**	**27.7%**	2,362	30.2%
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 2014, the gross exposures to the Immediate Parent Company were $6 million (30/09/2013 $14 million). As at 30 September 2014, the gross exposures to the Ultimate Parent Bank were $7,312 million (30/09/2013 $4,051 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 1 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 1 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 2014.

Notes to the Financial Statements

30. Classification of Financial Instruments and Fair Value Measurements

	Banking Group						
	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total carrying amount	Fair value
$ millions		Designated on initial recognition	Held for trading				
30/09/2014							
Cash	**1,822**	-	-	-	-	**1,822**	**1,822**
Settlement balances receivable	**855**	-	-	-	-	**855**	**855**
Collateral paid	**783**	-	-	-	-	**783**	**783**
Trading securities	-	-	**11,750**	-	-	**11,750**	**11,750**
Derivative financial instruments[1]	-	-	**11,089**	**315**	-	**11,404**	**11,404**
Available-for-sale assets	-	-	-	-	**772**	**772**	**772**
Net loans and advances[2]	**96,299**	-	-	-	-	**96,299**	**96,397**
Other financial assets	**555**	**190**	-	-	-	**745**	**745**
Total financial assets	**100,314**	**190**	**22,839**	**315**	**772**	**124,430**	**124,528**
Settlement balances payable	**2,296**	-	-	-	-	**2,296**	**2,296**
Collateral received	**800**	-	-	-	-	**800**	**800**
Deposits and other borrowings	**77,962**	**6,057**	-	-	-	**84,019**	**84,042**
Derivative financial instruments[1]	-	-	**10,033**	**172**	-	**10,205**	**10,205**
Bonds and notes[2]	**17,042**	-	-	-	-	**17,042**	**17,225**
Subordinated debt	**1,144**	-	-	-	-	**1,144**	**1,137**
Other financial liabilities	**607**	-	**226**	-	-	**833**	**833**
Total financial liabilities	**99,851**	**6,057**	**10,259**	**172**	-	**116,339**	**116,538**
30/09/2013							
Cash	2,206	-	-	-	-	2,206	2,206
Settlement balances receivable	514	-	-	-	-	514	514
Collateral paid	1,002	-	-	-	-	1,002	1,002
Trading securities	-	-	10,320	-	-	10,320	10,320
Derivative financial instruments[1]	-	-	9,289	229	-	9,518	9,518
Available-for-sale assets	-	-	-	-	942	942	942
Net loans and advances[2]	90,837	-	-	-	-	90,837	90,919
Other financial assets	484	172	-	-	-	656	656
Total financial assets	95,043	172	19,609	229	942	115,995	116,077
Settlement balances payable	1,428	-	-	-	-	1,428	1,428
Collateral received	438	-	-	-	-	438	438
Deposits and other borrowings	74,051	4,765	-	-	-	78,816	78,873
Derivative financial instruments[1]	-	-	10,103	140	-	10,243	10,243
Bonds and notes[2]	15,494	-	-	-	-	15,494	15,721
Subordinated debt	1,144	-	-	-	-	1,144	1,044
Other financial liabilities	561	-	142	-	-	703	703
Total financial liabilities	93,116	4,765	10,245	140	-	108,266	108,450

Notes to the Financial Statements

	Bank						
$ millions	At amortised cost	At fair value through profit or loss: Designated on initial recognition	At fair value through profit or loss: Held for trading	Hedging	Available-for-sale assets	Total carrying value	Fair Value
30/09/2014							
Cash	**1,822**	-	-	-	-	**1,822**	**1,822**
Settlement balances receivable	**858**	-	-	-	-	**858**	**858**
Collateral paid	**783**	-	-	-	-	**783**	**783**
Trading securities	-	-	**11,750**	-	-	**11,750**	**11,750**
Derivative financial instruments[1]	-	-	**11,093**	**315**	-	**11,408**	**11,408**
Available-for-sale assets	-	-	-	-	**770**	**770**	**770**
Net loans and advances[2]	**109,668**	-	-	-	-	**109,668**	**109,825**
Other financial assets	**623**	-	-	-	-	**623**	**623**
Total financial assets	**113,754**	-	**22,843**	**315**	**770**	**137,682**	**137,839**
Settlement balances payable	**2,771**	-	-	-	-	**2,771**	**2,771**
Collateral received	**800**	-	-	-	-	**800**	**800**
Deposits and other borrowings	**115,223**	-	-	-	-	**115,223**	**115,339**
Derivative financial instruments[1]	-	-	**10,065**	**172**	-	**10,237**	**10,237**
Bonds and notes	**3,277**	-	-	-	-	**3,277**	**3,339**
Subordinated debt	**1,144**	-	-	-	-	**1,144**	**1,137**
Other financial liabilities	**687**	-	**226**	-	-	**913**	**913**
Total financial liabilities	**123,902**	-	**10,291**	**172**	-	**134,365**	**134,536**
30/09/2013							
Cash	2,206	-	-	-	-	2,206	2,206
Settlement balances receivable	514	-	-	-	-	514	514
Collateral paid	1,002	-	-	-	-	1,002	1,002
Trading securities	-	-	10,319	-	-	10,319	10,319
Derivative financial instruments[1]	-	-	9,293	229	-	9,522	9,522
Available-for-sale assets	-	-	-	-	940	940	940
Net loans and advances[2]	100,769	-	-	-	-	100,769	100,854
Other financial assets	529	-	-	-	-	529	529
Total financial assets	105,020	-	19,612	229	940	125,801	125,886
Settlement balances payable	1,767	-	-	-	-	1,767	1,767
Collateral received	438	-	-	-	-	438	438
Deposits and other borrowings	105,805	-	-	-	-	105,805	106,027
Derivative financial instruments[1]	-	-	10,112	140	-	10,252	10,252
Bonds and notes	2,687	-	-	-	-	2,687	2,759
Subordinated debt	1,144	-	-	-	-	1,144	1,044
Other financial liabilities	603	-	142	-	-	745	745
Total financial liabilities	112,444	-	10,254	140	-	122,838	123,032

[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

Measurement of fair value

Valuation methodologies

The Banking Group has an established control framework that ensures fair value is either determined or validated by a function independent of the party that undertakes the transaction. The control framework ensures that all models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data.

Where quoted market prices are used, prices are independently verified from other sources. For fair values determined using a valuation model, the control framework may include, as applicable, independent development or validation of valuation models, any inputs to those models, any adjustments required outside of the valuation model and, where possible, independent validation of model outputs. In this way, continued appropriateness of the valuations is ensured.

In instances where the Banking Group holds offsetting risk positions, the Banking Group uses the portfolio exemption in NZ IFRS 13 *Fair Value Measurement* to measure the fair value of such groups of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure.

The Group categorises its fair value measurements on the basis of inputs used in measuring fair value using the fair value hierarchy below:

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.
- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

Valuation techniques and inputs used

In the event that there is no quoted market price for the instrument, fair value is based on valuation techniques. The valuation models incorporate the impact of bid/ask spreads, counterparty credit spreads, funding costs and other factors that would influence the fair value determined by market participants.

The majority of valuation techniques employ only observable market data. However, for certain financial instruments the valuation technique may employ some data (valuation inputs or components) which is not readily observable in the current market. In these cases valuation inputs (or components of the overall value) are derived and extrapolated from other relevant market data and tested against historic transactions and observed market trends. To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation.

The following valuation techniques have been applied to determine the fair values of financial instruments where there is no quoted price (level1) for the instrument:

- For instruments classified as trading securities and securities short sold, derivative financial assets and liabilities, available-for-sale assets, and investments backing insurance contract liabilities, fair value measurements are derived by using modelled valuations techniques (including discounted cash flow models) that incorporate market prices / yields for securities with similar credit risk, maturity and yield characteristics; and/or current market yields for similar instruments.
- For net loans and advances, deposits and other borrowings and debt issuances, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.
- The Banking Group holds units in an unlisted fund, included in available-for sale assets which does not trade in an active market. The fair value of these units is based on the estimated cashflows from the realisation of the underlying assets.

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

Notes to the Financial Statements

Valuation hierarchy for financial assets and financial liabilities measured at fair value

	Banking Group				Bank			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30/09/2014								
Financial assets								
Trading securities	**11,659**	**91**	**-**	**11,750**	**11,659**	**91**	**-**	**11,750**
Derivative financial instruments	**2**	**11,402**	**-**	**11,404**	**2**	**11,406**	**-**	**11,408**
Available-for-sale assets	**712**	**58**	**2**	**772**	**712**	**58**	**-**	**770**
Other financial assets	**129**	**61**	**-**	**190**	**-**	**-**	**-**	**-**
Total	**12,502**	**11,612**	**2**	**24,116**	**12,373**	**11,555**	**-**	**23,928**
Financial liabilities								
Deposits and other borrowings	**-**	**6,057**	**-**	**6,057**	**-**	**-**	**-**	**-**
Derivative financial instruments	**5**	**10,200**	**-**	**10,205**	**5**	**10,232**	**-**	**10,237**
Other financial liabilities	**226**	**-**	**-**	**226**	**226**	**-**	**-**	**226**
Total	**231**	**16,257**	**-**	**16,488**	**231**	**10,232**	**-**	**10,463**
30/09/2013								
Financial assets								
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	940	-	2	942	940	-	-	940
Other financial assets	140	32	-	172	-	-	-	-
Total	11,290	9,660	2	20,952	11,149	9,632	-	20,781
Financial liabilities								
Deposits and other borrowings	-	4,765	-	4,765	-	-	-	-
Derivative financial instruments	6	10,237	-	10,243	6	10,246	-	10,252
Other financial liabilities	142	-	-	142	142	-	-	142
Total	148	15,002	-	15,150	148	10,246	-	10,394

Valuation hierarchy for financial assets and financial liabilities not measured at fair value[1]

	Banking Group				Bank			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30/09/2014								
Financial assets								
Net loans and advances	**-**	**92,493**	**3,904**	**96,397**	**-**	**105,921**	**3,904**	**109,825**
Financial liabilities								
Deposits and other borrowings	**-**	**77,985**	**-**	**77,985**	**-**	**115,339**	**-**	**115,339**
Bonds and notes	**-**	**17,225**	**-**	**17,225**	**-**	**3,339**	**-**	**3,339**
Subordinated debt	**828**	**309**	**-**	**1,137**	**828**	**309**	**-**	**1,137**
Total	**828**	**95,519**	**-**	**96,347**	**828**	**118,987**	**-**	**119,815**

[1] Fair values, where the carrying amount is not considered a close approximation of fair value.

Notes to the Financial Statements

31. Notes to the Cash Flow Statement

$ millions	Banking Group Year to 30/09/2014	Banking Group Year to 30/09/2013	Bank Year to 30/09/2014	Bank Year to 30/09/2013
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities				
Profit after income tax	**1,716**	1,371	**1,559**	1,576
Non-cash items:				
Depreciation and amortisation	**85**	98	**48**	68
Provision for credit impairment	**(16)**	63	**(28)**	56
Deferred fee revenue and expenses	**(4)**	4	**(6)**	2
Amortisation of capitalised brokerage / mortgage origination fees	**66**	43	**66**	43
Amortisation of premiums and discounts	**152**	181	**152**	181
Fair value gains and losses	**(222)**	(114)	**(222)**	(108)
Loss on disposal and impairment of premises and equipment and intangibles	**16**	6	**7**	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	**(536)**	1,061	**(342)**	(3,445)
Change in interest receivable	**(52)**	(11)	**(89)**	(21)
Change in interest payable	**32**	(86)	**59**	(62)
Change in accrued expenses	**(25)**	(5)	**(23)**	(23)
Change in provisions	**(25)**	(110)	**(5)**	(105)
Change in insurance policy assets	**(67)**	2	**-**	-
Change in other receivables and payables	**(15)**	(29)	**-**	(42)
Change in net income tax assets / liabilities	**171**	99	**128**	101
Dividends from associates in excess of share of profits	**1**	-	**-**	-
Items classified as investing / financing:				
Gain on disposal of subsidiaries (excluding disposal costs)	**-**	(28)	**-**	(51)
Net cash flows provided by / (used in) operating activities	**1,277**	2,545	**1,304**	(2,009)

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Reconciliation of cash and cash equivalents to the balance sheet				
Cash	**1,822**	2,206	**1,822**	2,206
Amounts included in settlement balances receivable / (payable):				
Nostro accounts	**38**	22	**38**	22
Overdrawn nostro accounts	**(30)**	(24)	**(30)**	(24)
Total cash and cash equivalents	**1,830**	2,204	**1,830**	2,204

32. Commitments

$ millions	Banking Group 30/09/2014	Banking Group 30/09/2013	Bank 30/09/2014	Bank 30/09/2013
Contracts for outstanding capital expenditure				
Not later than 1 year	**15**	24	**15**	24
Future minimum lease payments under non-cancellable operating leases				
Not later than 1 year	**87**	73	**87**	72
Later than 1 year but not later than 5 years	**203**	167	**202**	166
Later than 5 years	**178**	165	**178**	165
Total operating lease commitments	**468**	405	**467**	403
Total commitments	**483**	429	**482**	427

Notes to the Financial Statements

33. Credit Related Commitments, Guarantees and Contingent Liabilities

	Banking Group		Bank	
	Face or contract value		Face or contract value	
$ millions	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Credit related commitments				
Commitments with certain drawdown due within one year	**764**	817	**764**	817
Commitments to provide financial services	**27,378**	24,446	**28,321**	26,886
Total credit related commitments	**28,142**	25,263	**29,085**	27,703
Guarantees and contingent liabilities				
Financial guarantees	**925**	997	**925**	997
Standby letters of credit	**79**	32	**79**	32
Transaction related contingent items	**1,321**	1,059	**1,321**	1,059
Trade related contingent liabilities	**111**	113	**110**	112
Total guarantees and contingent liabilities	**2,436**	2,201	**2,435**	2,200

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 outcome is not certain.

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.

Notes to the Financial Statements

34. Structured Entities, Transferred Financial Assets, Fiduciary Activities and Insurance

Structured entities

The Banking Group's involvement with structured entities is mainly through securitisations and its funds management activities, which are outlined further below. The Banking Group has involvement with structured entities that may be established either by the Banking Group or by a third party.

Consolidated structured entities

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 2014 and 30 September 2013 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.

Unconsolidated securitisations

The Banking Group also has an interest in unconsolidated securitisation entities through the provision of funding facilities or holding bonds or notes issued by such entities. The Banking Group's exposure to these entities is not material.

Transferred financial assets

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.

Repurchase transactions

Securities sold subject to repurchase agreements are not derecognised when substantially all the risks and rewards of ownership remain with the Bank.

The following table sets out the carrying values assets transferred by the Bank and the Banking Group to other entities and the associated liabilities to deliver the cashflows on those instruments.

		Banking Group		Bank	
$ millions	**Note**	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Securitisations[1,2]					
Carrying amount of assets transferred		-	-	**7,963**	5,823
Carrying amount of associated liabilities		-	-	**7,963**	5,823
Covered Bonds[1]					
Carrying amount of assets transferred		-	-	**7,283**	5,857
Carrying amount of associated liabilities		-	-	**7,283**	5,857
Repurchase agreements					
Carrying amount of assets transferred	**28**	**47**	108	**47**	108
Carrying amount of associated liabilities	**28**	**47**	107	**47**	107

[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 $7,928 million (30/09/2013 $5,823 million). The fair value of the associated liabilities is $7,928 million (30/09/2013 $5,823 million). The net position is nil (30/09/2013 nil).

Notes to the Financial Statements

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 schemes, unit trusts and the provision of private banking services to customers. 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 2014, $2,928 million of funds under management were invested in the Banking Group's own products or securities (30/09/2013 $3,054 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	**Banking Group**	
$ millions	**30/09/2014**	30/09/2013
Kiwisaver and other managed funds	**7,205**	5,506
The Bonus Bonds Trust	**3,196**	3,259
ANZ PIE Fund[1]	**715**	833
Other investment portfolios[2]	**8,807**	7,354
Total funds under management	**19,923**	16,952
Funds held in custody or as nominee on behalf of customers	**7,427**	6,365
Funds management fee income from structured entities	**110**	95

[1] The Banking Group established, and is considered to be the sponsor of, the ANZ PIE Fund. The ANZ PIE Fund invests only in deposits with the Bank. The Banking Group does not receive a management fee from, and does not have an interest in, the ANZ PIE Fund.
[2] These funds are not structured entities as they are investment portfolios managed on behalf of 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 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 (30/09/2013 $nil).

Insurance business

The Banking Group conducts insurance business through its subsidiaries OnePath Life (NZ) Limited and OnePath Insurance Services (NZ) Limited (together OnePath Insurance). 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 amount of insurance business in this group comprises assets totalling $850 million (30/09/2013 $779 million), which is 0.7% (30/09/2013 0.6%) of the total consolidated assets of the Banking Group.

OnePath Life (NZ) Limited and OnePath Insurance Services (NZ) Limited propose to amalgamate and continue as OnePath Life (NZ) Limited. The proposed amalgamation is subject to necessary consents and approvals, including from the RBNZ.

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.

Notes to the Financial Statements

35. Changes to Comparatives

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

The classification of the balance sheet was changed during the period to more consistently reflect the nature of the financial assets and liabilities. Prior to this reclassification, the balance sheet was classified according to both nature and counterparty. The key changes include:

Assets

- Securities purchased under agreements to resell in less than three months previously reported in liquid assets and due from other financial institutions are now classified as cash.
- Money at call, bills receivable and remittances in transit previously reported in liquid assets are now classified as either cash, settlement balances receivable or net loans and advances depending on the nature of the asset.
- Loans to other banks previously reported in due from other financial institutions are now classified as net loans and advances.
- Collateral paid previously reported in due from other financial institutions is now classified separately.
- Issued security settlements previously reported in other assets are now classified as settlement balances receivable.

Liabilities

- Loans from other banks previously reported in due to other financial institutions are now classified as deposits and other borrowings.
- Collateral received previously reported in due to other financial institutions is now classified separately.
- Issued security settlements previously reported in other liabilities are now classified as settlement balances payable.

Minor changes in the overall total assets and total liabilities have also occurred due to an amendment to NZ IAS19 *Employee Benefits*.

The tables below show the impact of these changes on the balance sheet, together with the impact of the change in the definition of cash and cash equivalents explained in note 1. Associated amounts in the income statement, statement of comprehensive income and cash flow statement have been restated accordingly, and the impact of the changes to these statements is not material.

Banking Group	30/09/2013			1/10/2012		
$ millions	Previously reported	Change	Currently reported	Previously reported	Change	Currently reported
Assets						
Liquid assets	2,496	(2,496)	-	2,831	(2,831)	-
Due from other financial institutions	1,570	(1,570)	-	1,722	(1,722)	-
Cash	-	2,206	2,206	-	2,780	2,780
Settlement balances receivable	-	514	514	-	227	227
Collateral paid	-	1,002	1,002	-	1,256	1,256
Available-for-sale assets	782	160	942	57	100	157
Net loans and advances	90,489	348	90,837	86,678	237	86,915
Other assets	731	(164)	567	592	(47)	545
Deferred tax assets	39	6	45	93	8	101
All other assets	24,331	-	24,331	29,583	-	29,583
Total assets	120,438	6	120,444	121,556	8	121,564
Liabilities						
Due to other financial institutions	1,517	(1,517)	-	1,759	(1,759)	-
Settlement balances payable	-	1,428	1,428	-	1,525	1,525
Collateral received	-	438	438	-	257	257
Deposits and other borrowings	77,697	1,119	78,816	73,652	1,189	74,841
Due to immediate parent company	939	(939)	-	740	(740)	-
Payables and other liabilities	1,705	(510)	1,195	1,792	(443)	1,349
All other liabilities	27,113	-	27,113	32,681	-	32,681
Total liabilities	108,971	19	108,990	110,624	29	110,653
Equity	11,467	(13)	11,454	10,932	(21)	10,911
Cash and cash equivalents in cash flow statement	2,861	(657)	2,204	3,255	(526)	2,729

Notes to the Financial Statements

Bank		30/09/2013			1/10/2012	
$ millions	Previously reported	Change	Currently reported	Previously reported	Change	Currently reported
Assets						
Liquid assets	2,495	(2,495)	-	2,815	(2,815)	-
Due from other financial institutions	1,570	(1,570)	-	1,722	(1,722)	-
Cash	-	2,206	2,206	-	2,780	2,780
Settlement balances receivable	-	514	514	-	227	227
Collateral paid	-	1,002	1,002	-	1,256	1,256
Available-for-sale assets	780	160	940	54	100	154
Net loans and advances	88,229	12,540	100,769	84,319	11,856	96,175
Due from subsidiaries	12,206	(12,206)	-	11,619	(11,619)	-
Other assets	760	(151)	609	611	(63)	548
Deferred tax assets	128	6	134	185	8	193
All other assets	28,127	-	28,127	35,205	-	35,205
Total assets	134,295	6	134,301	136,530	8	136,538
Liabilities						
Due to other financial institutions	1,517	(1,517)	-	1,555	(1,555)	-
Settlement balances payable	-	1,767	1,767	-	1,865	1,865
Collateral received	-	438	438	-	257	257
Deposits and other borrowings	71,440	34,365	105,805	66,731	38,586	105,317
Due to subsidiaries	33,768	(33,768)	-	37,940	(37,940)	-
Due to immediate parent company	939	(939)	-	740	(740)	-
Payables and other liabilities	1,416	(327)	1,089	1,469	(444)	1,025
All other liabilities	14,270	-	14,270	17,890	-	17,890
Total liabilities	123,350	19	123,369	126,325	29	126,354
Equity	10,945	(13)	10,932	10,205	(21)	10,184
Cash and cash equivalents in cash flow statement	2,861	(657)	2,204	3,255	(526)	2,729

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 2014

Independent Non-Executive Director and Chair

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, Cup Limited, Sails Friday Limited, The New Zealand Initiative 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, The International Monetary Conference, Financial Literacy Australia Limited, Executive Chairman of Chongqinq Mayor's International Economic Advisory Council

Nigel Henry Murray Williams
BCom
Chief Risk Officer, Australia and New Zealand Banking Group Limited
Melbourne, Australia

Mr Williams is an alternate director for Michael Smith.

Other directorships: Shanghai Rural Commercial Bank

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, 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, Spark 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

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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 2014. These Conditions of Registration have applied from 1 July 2014.

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%;

(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 July 2014 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 July 2014 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 July 2014.

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 July 2014; 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 July 2014.

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 July 2014.

the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (Internal Models Based Approach)" (BS2B) dated July 2014 is 1.06.

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

Conditions of Registration

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 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 July 2014.

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 July 2014.

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 July 2014.

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;

Conditions of Registration

(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; 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 July 2014 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

Conditions of Registration

(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 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—

(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 "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That the registered 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 "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning 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",—

(a) means ANZ Bank New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act (unless paragraph (b) applies); or

(b) means ANZ Bank New Zealand Limited's financial reporting group (as defined in section 2(1) of the

Conditions of Registration

Financial Reporting Act 1993) if the Financial Reporting Act 1993 applies to the bank:

"generally accepted accounting practice" —

(a) has the same meaning as in section 8 of the Financial Reporting Act 2013 (unless paragraph (b) applies); or

(b) means generally accepted accounting practice within the meaning of section 3 of the Financial Reporting Act 1993 if the bank is required to prepare financial statements in accordance with that practice.

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 July 2014:

"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 2014; and

(ii) The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2014, after due enquiry, each Director believes that:

(i) ANZ Bank New Zealand Limited has complied with all Conditions of Registration that applied during that period;

(ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;

(iii) ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 18 November 2014.

Antony Carter

Shayne Elliott

David Hisco

John Judge

Michael Smith, OBE

Mark Verbiest

Joan Withers

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) and its subsidiaries (the Banking Group) on pages 4 to 76 of the Disclosure Statement. The financial statements comprise the balance sheets as at 30 September 2014, 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 2014 (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, 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. 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.

KPMG has also provided other audit related services to the Bank and Banking Group. In addition, certain 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 Bank and Banking Group. These matters have not impaired our independence as auditors of the Bank and Banking Group. We have no other relationship with, or interest in, the Bank and Banking Group.

Opinion on the Disclosure Statement

In our opinion the Disclosure Statement of the Bank and the Banking Group on pages 4 to 76 (excluding the supplemental information):

a. complies with generally accepted accounting practice in New Zealand;

b. complies with International Financial Reporting Standards; and

c. gives a true and fair view of the financial position as at 30 September 2014 and of their financial performance and cash flows for the year ended on that date.

KPMG

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 13, 14, 26, 27, 29 and 34 of the Disclosure Statement:

a. 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;

b. is in accordance with the books and records of the Bank and Banking Group; and

c. 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 26 of the Disclosure Statement for the year ended 30 September 2014.

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 standard RS-1 *Statement of Review Engagement Standards* issued by the External Reporting Board. 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:

a. prepared in accordance with the Bank's Conditions of Registration;

b. 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

c. 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 26 of the Disclosure Statement, is not, in all material respects:

a. prepared in accordance with the Bank's Conditions of Registration;

b. 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

c. 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:

a. we have obtained all the information and explanations we have required; and

b. 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 2014

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Annex A-1-ANZNIL Financial Statements

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FOR THE YEAR ENDED 30 SEPTEMBER 2015

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Annual Report

For the year ended 30 September 2015

ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand.

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) 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 increase in the Company's total assets from $19,976 million as at 30 September 2014 to $20,823 million as at 30 September 2015 has been driven primarily by the issuance of medium term notes in excess of those required to replace maturities and foreign exchange revaluations and the subsequent on lending of funds remitted to its parent entity.

Net interest income was $7 million for the year to 30 September 2015 (2014: $7 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

There have been no changes to the Directors of the Company since 30 September 2014.

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 2015

Antonia Watson
Director
18 November 2015

Statement of Comprehensive Income

$ millions	Note	Year to 30/09/2015	Year to 30/09/2014
Interest income	6	260	247
Interest expense	2	253	240
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	Retained Profits	Total Equity
As at 1 October 2013		4	4
Profit after income tax		5	5
Ordinary dividend paid	8	(4)	(4)
As at 30 September 2014		5	5
Profit after income tax		5	5
Ordinary dividend paid	8	(5)	(5)
As at 30 September 2015		5	5

Balance Sheet

$ millions	Note	30/09/2015	30/09/2014
Assets			
Cash at bank	6	-	179
Due from the Parent Company	6	20,824	19,797
Total assets		20,824	19,976
Liabilities			
Accrued interest payable		91	98
Commercial paper	4	4,963	6,057
Current tax liabilities		1	1
Due to other related parties	6	-	179
Debt issuances	5	15,764	13,636
Total liabilities		20,819	19,971
Net assets		5	5
Equity			
Retained profits		5	5
Total equity	8	5	5

For and on behalf of the Board of Directors:

Anthony Bradshaw
Director
18 November 2015

Antonia Watson
Director
18 November 2015

Cash Flow Statement

$ millions	Year to 30/09/2015	Year to 30/09/2014
Cash flows from operating activities		
Interest received	**267**	231
Interest paid	**(260)**	(224)
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	**668**	(2,192)
Net cash flows provided by / (used in) investing activities	**668**	(2,192)
Cash flows from financing activities		
Proceeds from debt issuances	**3,337**	3,406
Increase / (decrease) in due to other related parties	**(179)**	179
Increase / (decrease) in commercial paper	**(494)**	1,605
Redemption of debt issuances	**(3,511)**	(2,822)
Dividends paid	**(5)**	(4)
Net cash flows provided by / (used in) financing activities	**(852)**	2,364
Net increase / (decrease) in cash and cash equivalents	**(179)**	177
Cash and cash equivalents at beginning of the year	**179**	2
Cash and cash equivalents at end of the year	**-**	179

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	**7**	(16)
Change in accrued interest payable	**(7)**	16
Net cash flows provided by operating activities	**5**	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 for ANZ New Zealand (Int'l) Limited (the Company) have been prepared in accordance with the requirements of the Companies Act 1993.

These financial statements comply with

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable profit-oriented entities; and
- International Financial Reporting Standards (IFRS).

The ultimate parent company is Australia and New Zealand Banking Group Limited (the Ultimate Parent).

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 statement of comprehensive income 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 statement of comprehensive income 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 debt issuances.

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:

Notes to the Financial Statements

- 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 2018)

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. Interest Expense

$ millions	**Year to 30/09/2015**	Year to 30/09/2014
Commercial paper	**15**	14
Debt issuances	**238**	226
Total interest expense	**253**	240

3. Income Tax

$ millions	**Year to 30/09/2015**	Year to 30/09/2014
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	**7**	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

Notes to the Financial Statements

4. Commercial Paper

$ millions	30/09/2015	30/09/2014
U.S. commercial paper	**4,844**	5,587
Euro commercial paper	**119**	470
Total commercial paper	**4,963**	6,057

Commercial paper issued is guaranteed by the Parent Company.

5. Debt Issuances

$ millions	30/09/2015	30/09/2014
U.S. medium term notes	**6,831**	4,934
Euro medium term notes	**3,598**	4,774
Covered bonds	**5,335**	3,928
Total debt issuances	**15,764**	13,636

Debt issuances are guaranteed by the Parent Company. Debt issuances 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.

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.

All interest income is from the Parent Company. Interest expense on debt issuances for 2014 included $9 million paid to subsidiaries of the Ultimate Parent.

Audit fees and fees for other services have been paid to the auditors by the Parent Company without reimbursement.

$ thousands	30/09/2015	30/09/2014
Audit or review of financial statements	**37**	36
Other services:		
Review of offer documents	**143**	245
Other assurance services	**33**	25
Total other services	**176**	270
Total fees paid to auditors by the Parent Company	**213**	306

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.

Amounts due to other related parties are guaranteed by the Parent Company.

Notes to the Financial Statements

7. Current and Non-current Assets and Liabilities

$ millions	30/09/2015		30/09/2014	
	Current	Non-current	Current	Non-current
Assets				
Cash at bank	-	-	179	-
Due from Parent Company	**9,451**	**11,373**	9,377	10,420
Total assets	**9,451**	**11,373**	9,556	10,420
Liabilities				
Accrued interest payable	**91**	-	98	-
Commercial paper	**4,963**	-	6,057	-
Current tax liabilities	**1**	-	1	-
Due to other related parties	-	-	179	-
Debt issuances	**4,391**	**11,373**	3,216	10,420
Total liabilities	**9,446**	**11,373**	9,551	10,420

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 objectives when managing capital are 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 (2014: 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 $9.00 per share (2014: $8.95 per share).

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 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
30/09/2015						
Assets						
Due from the Parent Company	**20,824**	**8,385**	**2,284**	**-**	**10,059**	**96**
Total financial assets	**20,824**	**8,385**	**2,284**	**-**	**10,059**	**96**
Liabilities and equity						
Accrued interest payable	**91**	**-**	**-**	**-**	**-**	**91**
Commercial paper	**4,963**	**4,114**	**849**	**-**	**-**	**-**
Debt issuances	**15,764**	**4,268**	**1,437**	**-**	**10,059**	**-**
Total financial liabilities	**20,818**	**8,382**	**2,286**	**-**	**10,059**	**91**
Net repricing profile	**6**	**3**	**(2)**	**-**	**-**	**5**
30/09/2014						
Assets						
Cash at bank	179	179	-	-	-	-
Due from the Parent Company	19,797	8,008	1,831	1,622	8,232	104
Total financial assets	19,976	8,187	1,831	1,622	8,232	104
Liabilities and equity						
Accrued interest payable	98	-	-	-	-	98
Commercial paper	6,057	4,241	1,816	-	-	-
Due to other related parties	179	179	-	-	-	-
Debt issuances	13,636	3,765	17	1,622	8,232	-
Total financial liabilities	19,970	8,185	1,833	1,622	8,232	98
Net repricing profile	6	2	(2)	-	-	6

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.

Notes to the Financial Statements

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
30/09/2015						
Assets						
Due from the Parent Company	**21,436**	**5,188**	**4,399**	**10,455**	**1,394**	-
Total financial assets	**21,436**	**5,188**	**4,399**	**10,455**	**1,394**	-
Liabilities						
Commercial paper	**4,966**	**2,985**	**1,981**	-	-	-
Debt issuances	**16,448**	**2,197**	**2,414**	**10,444**	**1,393**	-
Total financial liabilities	**21,414**	**5,182**	**4,395**	**10,444**	**1,393**	-
Net liquidity gap	**22**	**6**	**4**	**11**	**1**	-
30/09/2014						
Assets						
Cash at bank	179	179	-	-	-	-
Due from the Parent Company	20,281	3,397	6,111	10,364	409	-
Total financial assets	20,460	3,576	6,111	10,364	409	-
Liabilities						
Commercial paper	6,063	2,391	3,672	-	-	-
Due to other related parties	179	179	-	-	-	-
Debt issuance	14,200	999	2,438	10,355	408	-
Total financial liabilities	20,442	3,569	6,110	10,355	408	-
Net liquidity gap	18	7	1	9	1	-

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.

	30/09/2015		30/09/2014	
$ millions	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash at bank	-	-	179	179
Due from the Parent Company	**20,824**	**21,013**	19,797	20,047
Total financial assets	**20,824**	**21,013**	19,976	20,226
Financial liabilities				
Accrued interest payable	**91**	**91**	98	98
Commercial paper	**4,963**	**4,964**	6,057	6,057
Due to other related parties	-	-	179	179
Debt issuances	**15,764**	**15,953**	13,636	13,886
Total financial liabilities	**20,818**	**21,008**	19,970	20,220

Independent Auditor's Report

To the Shareholder of ANZ New Zealand (Int'l) Limited

We have audited the accompanying financial statements of ANZ New Zealand (Int'l) Limited (the Company) on pages 2 to 10. The financial statements comprise the balance sheet as at 30 September 2015, 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.

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholder as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, 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 control relevant to the Company's preparation and fair presentation of the financial statements 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.

Our firm has also provided other services to the Company in relation to prospectus reviews and assurance services. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with, or interest in, the Company.

Opinion

In our opinion the financial statements on pages 2 to 10 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of ANZ New Zealand (Int'l) Limited as at 30 September 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

Wellington
18 November 2015

ANZ New Zealand (Int'l) Limited Annual Report

FOR THE YEAR ENDED 30 SEPTEMBER 2014

ANZ New Zealand (Int'l) Limited

Annual Report
For the year ended 30 September 2014

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Annual Report

For the year ended 30 September 2014

ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, 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).

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) 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 increase in the Company's total assets from $17,590 million as at 30 September 2013 to $19,976 million as at 30 September 2014 has been driven primarily by the issuance of commercial paper and medium term notes in excess of those required to replace maturities and foreign exchange revaluations.

Net interest income was $7 million for the year to 30 September 2014 (2013: $7 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

There have been no changes to the Directors of the Company since 30 September 2013.

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 2014

Antonia Watson
Director
18 November 2014

Statement of Comprehensive Income

$ millions	Note	Year to 30/09/2014	Year to 30/09/2013
Interest income	**6**	**247**	362
Interest expense	**2**	**240**	355
Net interest income		**7**	7
Operating expenses		**-**	1
Profit before income tax		**7**	6
Income tax expense	**3**	**2**	2
Profit after income tax		**5**	4

There are no items of other comprehensive income.

Statement of Changes in Equity

$ millions	Note	Retained Profits	Total Equity
As at 1 October 2012		5	5
Profit after tax		4	4
Ordinary dividend paid	**8**	(5)	(5)
As at 30 September 2013		4	4
Profit after income tax		**5**	**5**
Ordinary dividend paid	**8**	**(4)**	**(4)**
As at 30 September 2014		**5**	**5**

Balance Sheet

$ millions	Note	30/09/2014	30/09/2013
Assets			
Cash at bank	6	179	2
Due from the Parent Company	6	19,797	17,588
Total assets		19,976	17,590
Liabilities			
Accrued interest payable		98	83
Commercial paper	4	6,057	4,764
Current tax liabilities		1	1
Due to other related parties	6	179	-
Bonds and notes	5	13,636	12,738
Total liabilities		19,971	17,586
Net assets		5	4
Equity			
Retained profits		5	4
Total equity	8	5	4

For and on behalf of the Board of Directors:

Anthony Bradshaw
Director
18 November 2014

Antonia Watson
Director
18 November 2014

Cash Flow Statement

$ millions	Year to 30/09/2014	Year to 30/09/2013
Cash flows from operating activities		
Interest received	**231**	375
Interest paid	**(224)**	(368)
Operating expenses	**-**	(1)
Tax paid	**(2)**	(2)
Net cash flows provided by operating activities	**5**	4
Cash flows from investing activities		
Decrease / (increase) in due from the Parent Company	**(2,192)**	3,078
Net cash flows provided by / (used in) investing activities	**(2,192)**	3,078
Cash flows from financing activities		
Proceeds from bonds and notes	**3,406**	1,967
Increase / (decrease) in due to other related parties	**179**	(206)
Increase / (decrease) in commercial paper	**1,605**	(708)
Redemption of bonds and notes	**(2,822)**	(4,131)
Dividends paid	**(4)**	(5)
Net cash flows provided by / (used in) financing activities	**2,364**	(3,083)
Net increase / (decrease) in cash and cash equivalents	**177**	(1)
Cash and cash equivalents at beginning of the year	**2**	3
Cash and cash equivalents at end of the year	**179**	2

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	**5**	4
Adjustments		
Change in accrued interest receivable	**(16)**	13
Change in accrued interest payable	**16**	(13)
Net cash flows provided by operating activities	**5**	4

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 statement of comprehensive income 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 statement of comprehensive income 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

Notes to the Financial Statements

- 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 2018)

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. Interest Expense

$ millions	Year to 30/09/2014	Year to 30/09/2013
Commercial paper	14	16
Bonds and notes	226	339
Total interest expense	240	355

3. Income Tax

$ millions	Year to 30/09/2014	Year to 30/09/2013
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	7	6
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	30/09/2014	30/09/2013
U.S. commercial paper	5,587	4,764
Euro commercial paper	470	-
Total commercial paper	6,057	4,764

Commercial paper issued is guaranteed by the Parent Company.

Notes to the Financial Statements

5. Bonds and notes

$ millions	30/09/2014	30/09/2013
U.S. medium term notes	**4,934**	4,464
Euro medium term notes	**4,774**	4,349
Covered bonds	**3,928**	3,925
Total bonds and notes	**13,636**	12,738

Bonds and notes issued are guaranteed by the Parent Company. $91 million (2013: $206 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.

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.

All interest income is from the Parent Company. Interest expense on bonds and notes includes $9 million (2013: $25 million) paid to subsidiaries of the Ultimate Parent.

Audit fees and fees for other services have been paid to the auditors by the Parent Company without reimbursement.

$ thousands	30/09/2014	30/09/2013
Audit or review of financial statements	**36**	36
Other services:		
Prospectus reviews	**245**	109
Securitisation pool audits	**25**	4
Total other services	**270**	113
Total fees paid to auditors by the Parent Company	**307**	149

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.

At 30 September 2013, bonds and notes included $1,267 million of notes that were issued to a subsidiary of the Ultimate Parent. These notes matured during the year.

Amounts due to other related parties are guaranteed by the Parent Company.

Notes to the Financial Statements

7. Current and Non-current Assets and Liabilities

$ millions	30/09/2014		30/09/2013	
	Current	Non-current	Current	Non-current
Assets				
Cash at bank	179	-	2	-
Due from Parent Company	9,377	10,420	7,717	9,871
Total assets	9,556	10,420	7,719	9,871
Liabilities				
Accrued interest payable	98	-	83	-
Commercial paper	6,057	-	4,764	-
Current tax liabilities	1	-	1	-
Due to other related parties	179	-	-	-
Bonds and notes	3,216	10,420	2,867	9,871
Total liabilities	9,551	10,420	7,715	9,871

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 objectives when managing capital are 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 (2013: 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 $8.95 per share (2013: $9.69 per share).

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 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
30/09/2014						
Assets						
Cash at bank	**179**	**179**	-	-	-	-
Due from the Parent Company	**19,797**	**8,008**	**1,831**	**1,622**	**8,232**	**104**
Total financial assets	**19,976**	**8,187**	**1,831**	**1,622**	**8,232**	**104**
Liabilities and equity						
Accrued interest payable	**98**	-	-	-	-	**98**
Commercial paper	**6,057**	**4,241**	**1,816**	-	-	-
Due to other related parties	**179**	**179**	-	-	-	-
Bonds and notes	**13,636**	**3,765**	**17**	**1,622**	**8,232**	-
Total financial liabilities	**19,970**	**8,185**	**1,833**	**1,622**	**8,232**	**98**
Net repricing profile	**6**	**2**	**(2)**	-	-	**6**
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

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.

Notes to the Financial Statements

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
30/09/2014						
Assets						
Due from the Parent Company	**20,460**	**3,576**	**6,111**	**10,364**	**409**	-
Total financial assets	**20,460**	**3,576**	**6,111**	**10,364**	**409**	-
Liabilities						
Commercial paper	**6,063**	**2,391**	**3,672**	-	-	-
Due to other related entities	**179**	**179**	-	-	-	-
Bonds and notes	**14,200**	**999**	**2,438**	**10,355**	**408**	-
Total financial liabilities	**20,442**	**3,569**	**6,110**	**10,355**	**408**	-
Net liquidity gap	**18**	**7**	**1**	**9**	**1**	-
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	-	-

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.

	30/09/2014		30/09/2013	
$ millions	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash at bank	**179**	**179**	2	2
Due from the Parent Company	**19,797**	**19,918**	17,588	17,743
Total financial assets	**19,976**	**20,097**	17,590	17,745
Financial liabilities				
Accrued interest payable	**98**	**98**	83	83
Commercial paper	**6,057**	**6,057**	4,764	4,765
Due to other related parties	**179**	**179**	-	-
Bonds and notes	**13,636**	**13,757**	12,738	12,893
Total financial liabilities	**19,970**	**20,091**	17,585	17,741

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 10. The financial statements comprise the balance sheet as at 30 September 2014, 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 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 control 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.

KPMG has also provided other audit related services in relation to prospectus reviews and assurance services to the Company. These matters have not impaired our independence as auditors of the Company. We have no other relationship with, or interest in, the Company.

Opinion

In our opinion the financial statements on pages 2 to 10:

- 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 2014 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 2014

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 December 18, 2015 (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 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 []. 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 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]
Principal Amount and Specified Currency:	[US$[ ]] OR [ ]
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]
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]
Issue Date:	[ ]
Stated Maturity:	[ ]
Redemption:	[No redemption at the option of the Issuer prior to Stated Maturity (other than for tax reasons)] OR [At option of the Issuer -]
Repayment:	[No repayment at the option of the holders prior to Stated Maturity] OR [At option of holders -]
Fixed Rate Notes:	[Applicable/Not Applicable]
Interest Rate:	[ ]% per annum
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:	[ ]
Floating Rate Notes:	[Applicable/Not Applicable]
Floating Rate:	Specified Interest Rate [+/−Spread] [x Spread Multiplier][Inverse Floating Rate][Floating Rate/Fixed Rate]
Initial Interest Rate:	[ ]%
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 [•]
Interest Payment Period:	[ ]
Interest Reset Period:	[ ]
Interest Reset Dates:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]
Initial Interest Reset Date:	[ ]
Interest 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 Stated 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:	[ ]
CD Rate Notes	[Applicable/Not Applicable]
	[*Specify reference source and heading*]
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]
Redemption Commencement Date:	[ ]
Redemption Price(s):	[ ]
Redemption Period(s):	[ ]
Yield:	[ ] %
General Provisions:	
Business Day Convention:	[Following Business Day Convention] OR [Modified Following Business Day] OR [Preceding Business Day Convention]
business day:	[ ]
Day Count Fraction:	[ ]OR [Not Applicable]
Issue Price(%):	[ ]%
Issue Price($):	[US$[ ]] OR [ ]
Agent(s) acting in capacity of:	[Principal] OR [Agent]
Additional Paying Agent:	[ ]
Listing:	The Official List of the UK Listing Authority
Admission to trading:	[Application has been made for the Notes to be admitted to trading on the London Stock Exchange with effect from [ ].]
Denominations:	[ ]
Covenant Defeasance:	[Applicable/Not Applicable]
CUSIP:	[ ]
ISIN:	[ ]
Common Code:	[ ]
Ratings:	The Notes to be issued [have been] OR [are expected to be] rated: [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 "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.
Reasons for the offer:	[ ]
(i) Estimated net proceeds:	[•]
(ii) Estimated total expenses:	[•]
Yield (Fixed Rate Notes only):	
Indication of Yield:	The yield is [•] [percent per annum]

[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.]

Signed on behalf of the Issuer:

By:

Duly authorized
[By:

Duly authorized]

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Auckland 1010
New Zealand

ANZ New Zealand (Int'l) Limited
ANZ Centre, 23-29 Albert Street
Auckland 1010
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New Zealand

Supplemental Fiscal Agent and Issuing and Paying Agent

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ANZ Bank New Zealand Limited

ANZ New Zealand (Int'l) Limited