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

FOR THE YEAR ENDED 30 SEPTEMBER 2014 | NUMBER 24 ISSUED DECEMBER 2014

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 Funds Pty Limited, which is the immediate parent company of ANZ Holdings (New Zealand) Limited;

(d) Ultimate Parent Bank means Australia and New Zealand Banking Group Limited;

(e) Overseas Banking Group means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;

(f) New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;

(g) NZ Branch means the New Zealand business of the Ultimate Parent Bank;

(h) ANZ New Zealand means the New Zealand business of the Overseas Banking Group;

(i) Registered Office is Level 8, 1 Victoria Street, Wellington, New Zealand, which is also ANZ New Zealand's address for service;

(j) RBNZ means the Reserve Bank of New Zealand;

(k) APRA means the Australian Prudential Regulation Authority;

(l) the Order means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014; and

(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

General Matters

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

The address for service for the Ultimate Parent Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Financial Statements of the Ultimate Parent Bank and Overseas Banking Group

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

Credit Rating Information

As at 3 December 2014 the Ultimate Parent Bank has three current credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

The Ultimate Parent 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	Aa2	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.

Ranking of local creditors in liquidation

Certain claims on the Australian assets of the Ultimate Parent Bank are given a statutory priority under Australian law. Unsecured creditors of the NZ Branch could be expected to rank behind such claims.

Specifically, pursuant to section 13A(3) of the Banking Act of the Commonwealth of Australia ("Banking Act"), if an Authorised Deposit-Taking Institution ("ADI") (which includes the Ultimate Parent Bank) becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's liabilities in the following order:

(a) first, the ADI's liabilities (if any) to APRA because of the rights APRA has against the ADI because of section 16AI of the Banking Act;

(b) second, the ADI's debts (if any) to APRA under section 16AO of the Banking Act;

(c) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI. Broadly, this includes, among other things, certain deposit accounts with the Ultimate Parent Bank that are situated in Australia;

(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 by APRA; and

(f) sixth, the ADI's other liabilities in the order of their priority (apart from section 13A(3)).

Unsecured creditors of the NZ Branch could be expected to rank as a creditor pursuant to paragraph (f), together with other unsecured creditors of the Ultimate Parent Bank that do not otherwise have a priority claim under paragraphs (a) to (e) above.

Under section 13A(1) of the Banking Act, in certain circumstances APRA may take control of an ADI's business or appoint an administrator to take control of the ADI's business. Section 16(1) and (2) of the Banking Act provide that, despite anything contained in any law relating to the winding-up of companies, but subject to section 13A(3) of the Banking Act, the debts of an ADI to APRA in respect of APRA's costs (including costs in the nature of remuneration and expenses) of being in control of the ADI's business, or of having an administrator in control of the ADI's business, are a debt due to APRA and have priority in a winding-up of the ADI over all other unsecured debts.

Section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia provides that notwithstanding anything contained in any law relating to the winding-up of companies, but subject to section 13A(3) of the Banking Act, debts due to the Reserve Bank of Australia by any ADI shall, in a winding-up, have priority over all other debts.

Section 13A(3) of the Banking Act affects all of the unsecured liabilities of the NZ Branch, which as at 30 September 2014, amounted to $nil (30/09/2013 $nil).

Requirement to hold excess assets over deposit liabilities

Section 13A(4) of the Banking Act states that it is an offence for an ADI not to hold assets (excluding goodwill and any assets or other amount excluded by the prudential standards for the purposes of that subsection) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless APRA has authorised the ADI to hold assets of a lesser value. During the year ended 30 September 2014, the Ultimate Parent Bank has at all times held assets (excluding goodwill and any assets or other amounts prescribed by APRA) in Australia of not less than the value of the Ultimate Parent Bank's total deposit liabilities in Australia.

Section 13E of the Banking Act states that APRA may give the Ultimate Parent Bank a direction that requires it to increase its level of capital in the circumstances specified in that section.

The requirements of the Banking Act have the potential to impact the management of the liquidity of ANZ New Zealand.

General Disclosures

Guarantors

No material obligations of the NZ Branch are guaranteed as at 3 December 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

	ANZ New Zealand				
$ 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	**6,799**	6,461	6,568	6,757	6,447
Interest expense	**4,034**	3,820	3,859	4,157	3,952
Net interest income	**2,765**	2,641	2,709	2,600	2,495
Non-interest income	**1,063**	795	905	809	745
Operating income	**3,828**	3,436	3,614	3,409	3,240
Operating expenses	**1,490**	1,513	1,743	1,688	1,565
Credit impairment charge / (release)	**(9)**	66	202	190	456
Profit before income tax	**2,347**	1,857	1,669	1,531	1,219
Income tax expense	**636**	488	404	446	352
Profit after income tax	**1,711**	1,369	1,265	1,085	867
Dividends paid	**(2,335)**	(720)	(485)	(421)	(492)
Share capital issued	**969**	-	-	-	-

$ 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	**668**	936	1,405	1,792	2,047
Total assets	**138,528**	129,853	130,983	131,511	127,029
Total liabilities	**128,447**	120,111	121,827	123,046	119,208
Non-controlling interests	**-**	-	-	-	1
Equity & head office account	**10,081**	9,742	9,156	8,465	7,821

The amounts included in this summary have been taken from the audited financial statements of ANZ New Zealand.

[1] Comparative amounts have changed. Refer to notes 1 and 36 for details.

Income Statement

$ millions	Note	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013 [1]	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Interest income	4	**6,799**	6,461	**543**	509
Interest expense	5	**4,034**	3,820	**422**	398
Net interest income		**2,765**	2,641	**121**	111
Net trading gains	4	**210**	163	**-**	-
Net funds management and insurance income	4	**325**	234	**-**	-
Other operating income / (loss)	4	**525**	391	**(3)**	(12)
Share of associates' profit		**3**	7	**-**	-
Operating income		**3,828**	3,436	**118**	99
Operating expenses	5	**1,490**	1,513	**26**	26
Profit before credit impairment and income tax		**2,338**	1,923	**92**	73
Credit impairment charge / (release)	13	**(9)**	66	**7**	3
Profit before income tax		**2,347**	1,857	**85**	70
Income tax expense	6	**636**	488	**24**	20
Profit after income tax		**1,711**	1,369	**61**	50

Statement of Comprehensive Income

$ millions	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013 [1]	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Profit after income tax	**1,711**	1,369	**61**	50
Items that will not be reclassified to profit or loss				
Actuarial gain on defined benefit schemes	**35**	71	**-**	-
Income tax expense relating to items not reclassified	**(10)**	(20)	**-**	-
Total items that will not be reclassified to profit or loss	**25**	51	**-**	-
Items that may be reclassified subsequently to profit or loss				
Unrealised losses recognised directly in equity	**(2)**	(138)	**-**	-
Realised gains transferred to the income statement	**(41)**	(21)	**-**	-
Income tax credit relating to items that may be reclassified	**12**	45	**-**	-
Total items that may be reclassified subsequently to profit or loss	**(31)**	(114)	**-**	-
Total comprehensive income for the year	**1,705**	1,306	**61**	50

[1] Comparative amounts have changed. Refer to notes 1 and 36 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	ANZ New Zealand Share capital and initial head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2012[1]		6,424	(3)	141	2,594	9,156
Profit after income tax		-	-	-	1,369	1,369
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)	1,420	1,306
Ordinary dividend paid	**25**	-	-	-	(720)	(720)
As at 30 September 2013 [1]		6,424	(2)	26	3,294	9,742
Profit after income tax		**-**	**-**	**-**	**1,711**	**1,711**
Unrealised gains / (losses) recognised directly in equity		**-**	**3**	**(5)**	**-**	**(2)**
Realised gains transferred to the income statement		**-**	**-**	**(41)**	**-**	**(41)**
Actuarial gain on defined benefit schemes		**-**	**-**	**-**	**35**	**35**
Income tax credit / (expense) on items recognised directly in equity		**-**	**(1)**	**13**	**(10)**	**2**
Total comprehensive income for the year		**-**	**2**	**(33)**	**1,736**	**1,705**
Preference shares issued	**25**	**969**	**-**	**-**	**-**	**969**
Ordinary dividend paid	**25**	**-**	**-**	**-**	**(2,335)**	**(2,335)**
As at 30 September 2014		**7,393**	**-**	**(7)**	**2,695**	**10,081**

$ millions	NZ Branch Initial head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2012	11	-	-	216	227
Profit after income tax	-	-	-	50	50
As at 30 September 2013	11	-	-	266	277
Profit after income tax	**-**	**-**	**-**	**61**	**61**
As at 30 September 2014	**11**	**-**	**-**	**327**	**338**

[1] Comparative amounts have changed. Refer to notes 1 and 36 for details.

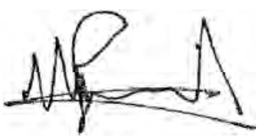
The notes to the financial statements form part of and should be read in conjunction with these financial statements.

Balance Sheet

$ millions	Note	ANZ New Zealand 30/09/2014	30/09/2013 [1]	1/10/2012 [1]	NZ Branch 30/09/2014	30/09/2013	1/10/2012
Assets							
Cash	8	2,248	2,347	2,818	426	141	38
Settlement balances receivable		855	515	228	304	314	304
Collateral paid		783	1,002	1,256	-	-	-
Trading securities	9	11,750	10,320	12,338	-	-	-
Investments backing insurance contract liabilities		190	172	142	-	-	-
Derivative financial instruments	10	11,421	9,508	12,709	62	12	52
Current tax assets		-	1	24	-	-	-
Available-for-sale assets	11	772	942	157	-	-	-
Net loans and advances	12	105,485	100,113	96,331	9,176	9,256	9,396
Other assets	16	632	570	548	2	1	-
Insurance contract assets		470	399	408	-	-	-
Investments in subsidiaries and associates	15	88	98	99	-	-	-
Deferred tax assets	6	-	42	100	6	6	8
Premises and equipment		380	376	323	-	-	-
Goodwill and other intangible assets	17	3,454	3,448	3,502	-	-	-
Total assets		138,528	129,853	130,983	9,976	9,730	9,798
Interest earning and discount bearing assets		121,539	115,297	113,565	9,615	9,410	9,450
Liabilities							
Settlement balances payable		1,992	1,114	1,223	-	-	-
Collateral received		800	438	257	-	-	-
Deposits and other borrowings	18	94,527	88,013	85,139	8,747	8,372	9,273
Derivative financial instruments	10	10,961	11,208	14,085	802	1,021	222
Current tax liabilities		68	-	-	24	18	19
Deferred tax liabilities	6	59	-	-	-	-	-
Payables and other liabilities	19	1,352	1,260	1,428	65	42	57
Provisions	20	204	229	339	-	-	-
Bonds and notes	21	17,042	16,407	18,188	-	-	-
Subordinated debt	22	1,442	1,442	1,168	-	-	-
Total liabilities (excluding head office account)		128,447	120,111	121,827	9,638	9,453	9,571
Net assets (excluding head office account)		10,081	9,742	9,156	338	277	227
Equity							
Share capital and initial head office account	25	7,393	6,424	6,424	11	11	11
Reserves		(7)	24	138	-	-	-
Retained earnings		2,695	3,294	2,594	327	266	216
Total equity & head office account		10,081	9,742	9,156	338	277	227
Interest and discount bearing liabilities		108,614	101,470	100,543	8,747	8,372	9,273

For and on behalf of the Board of Directors:

David Gonski
Chairman
Australia and New Zealand Banking Group Limited
3 December 2014



Michael Smith
Executive Director
Australia and New Zealand Banking Group Limited
3 December 2014

[1] Comparative amounts have changed. Refer to notes 1 and 36 for details.

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

Cash Flow Statement

		ANZ New Zealand		NZ Branch	
		Year to	Year to	Year to	Year to
$ millions	Note	30/09/2014	30/09/2013 [1]	30/09/2014	30/09/2013
Cash flows from operating activities					
Interest received		6,724	6,432	535	516
Dividends received		4	4	-	-
Net funds management & insurance income		261	236	-	-
Fees and other income received		682	612	-	-
Interest paid		(3,945)	(3,859)	(423)	(413)
Operating expenses paid		(1,431)	(1,551)	(5)	(26)
Income taxes paid		(464)	(381)	(18)	(19)
Cash flows from operating profits before changes in operating assets and liabilities		1,831	1,493	89	58
Net changes in operating assets and liabilities:					
Change in settlements receivable		167	(134)	-	-
Change in collateral paid		219	254	-	-
Change in trading securities		(1,025)	1,558	-	-
Change in derivative financial instruments		(676)	1,306	(218)	847
Change in available-for-sale assets		188	(766)	-	-
Change in insurance investment assets		(18)	(30)	-	-
Change in loans and advances		(5,396)	(3,941)	3,477	3,243
Loans and advances purchased from the Bank		-	-	(3,393)	(3,144)
Change in settlements payable		34	(28)	-	-
Change in collateral received		362	181	-	-
Change in deposits and other borrowings		5,851	2,610	330	(901)
Net changes in operating assets and liabilities		(294)	1,010	196	45
Net cash flows provided by operating activities	31	1,537	2,503	285	103
Cash flows from investing activities					
Proceeds from sale of shares in associates and jointly controlled entities		9	1	-	-
Proceeds from sale of premises and equipment		9	-	-	-
Proceeds from sale of subsidiary		-	68	-	-
Purchase of intangible assets		(43)	(27)	-	-
Purchase of premises and equipment		(77)	(115)	-	-
Net cash flows used in investing activities		(102)	(73)	-	-
Cash flows from financing activities					
Proceeds from issue of bonds and notes		4,431	2,167	-	-
Proceeds from issue of loan capital		-	312	-	-
Proceeds from issue of preference shares		969	-	-	-
Redemptions of bonds and notes		(4,589)	(4,611)	-	-
Dividends paid		(2,335)	(720)	-	-
Net cash flows used in financing activities		(1,524)	(2,852)	-	-
Net increase / (decrease) in cash and cash equivalents		(89)	(422)	285	103
Cash and cash equivalents at beginning of the year		2,345	2,767	141	38
Cash and cash equivalents at end of the year	31	2,256	2,345	426	141

[1] Comparative amounts have changed. Refer to notes 1 and 36 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 NZ Branch's financial statements are for Australia and New Zealand Banking Group Limited - New Zealand Branch as a separate entity and ANZ New Zealand's financial statements are for the NZ Branch'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 ANZ New Zealand 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 ANZ New Zealand'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. ANZ New Zealand 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 36.

(vii) Principles of consolidation

Subsidiaries

The consolidated financial statements of ANZ New Zealand comprise the financial statements of the NZ Branch and all the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank.

An entity, including a structured entity, is considered a subsidiary of ANZ New Zealand when it is determined that control over the entity exists. Control is deemed to exist when ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 NZ Branch's financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses.

Notes to the Financial Statements

Associates

ANZ New Zealand applies the equity method of accounting for associates.

ANZ New Zealand'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 ANZ New Zealand'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 NZ Branch'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 ANZ New Zealand's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). ANZ New Zealand's financial statements are presented in New Zealand dollars, which is ANZ New Zealand'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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand, 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 ANZ New Zealand'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

Notes to the Financial Statements

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 ANZ New Zealand 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

ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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.

Notes to the Financial Statements

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 ANZ New Zealand, 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 ANZ New Zealand 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

ANZ New Zealand 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, ANZ New Zealand derecognises the asset if control over the asset is lost. In transfers where control over the asset is retained, ANZ New Zealand 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

Notes to the Financial Statements

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, ANZ New Zealand'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 ANZ New Zealand. 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 ANZ New Zealand that provide products or services that are subject to risks and rewards that are different to those of other operating segments. ANZ New Zealand operates predominately in the banking industry within New Zealand. ANZ New Zealand 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

Notes to the Financial Statements

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 ANZ New Zealand 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 ANZ New Zealand in these financial statements. ANZ New Zealand 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.

ANZ New Zealand is assessing the impact on the financial statements.

Notes to the Financial Statements

2. Critical Estimates and Judgement Used in Applying Accounting Policies

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by ANZ New Zealand, 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 ANZ New Zealand 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 ANZ New Zealand's accounting policies

Financial instruments at fair value

ANZ New Zealand's financial instruments measured at fair value are stated in note 1(a)(iii). In estimating fair value ANZ New Zealand 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

ANZ New Zealand 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 ANZ New Zealand 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. ANZ New Zealand 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.

ANZ New Zealand 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 ANZ New Zealand controls (and therefore consolidates) a structured entity, judgement is required about whether ANZ New Zealand 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.

ANZ New Zealand is deemed to have power over a managed fund when it performs the function of Manager of that

Notes to the Financial Statements

managed fund. Whether ANZ New Zealand controls the managed fund depends on whether it holds that power as principal, or as an agent for other investors. ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand may simply have an interest in or may sponsor a structured entity but not consolidate it.

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

Goodwill

Refer to Note 17 for details of goodwill held by ANZ New Zealand.

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 ANZ New Zealand's carrying amount to exceed its recoverable amount.

Notes to the Financial Statements

3. Risk Management Policies

ANZ New Zealand 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 ANZ New Zealand business units to meet their performance objectives.

ANZ New Zealand 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 of the Ultimate Parent Bank and operates within a comprehensive framework comprising:

- The Boards of the entities making up ANZ New Zealand (the Boards) providing leadership, setting risk appetite/strategy and monitoring progress;
- A strong framework for development and maintenance of ANZ New Zealand-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 as it is deemed to apply to each entity across ANZ New Zealand;
- Business unit level accountability, as the "first line of defence", for the management of risks in alignment with ANZ New Zealand's strategy; and
- Independent oversight to ensure business unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

ANZ New Zealand 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 ANZ New Zealand's 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 the Ultimate Parent Bank. The Boards have responsibility for reviewing all aspects of risk management.

The Boards have ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. The Bank's Risk Committee assists the Boards in this function. The role of the Risk Committee is to assist the Boards 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.

ANZ New Zealand'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 Bank's Audit Committee, which is a sub-committee of the Board of the Bank, has responsibility for reviewing for ensuring the integrity of ANZ New Zealand's financial controls, reporting systems and internal audit standards. It meets at least four times a year and reports directly to the Board of the Bank. All members of the Bank's Audit Committee are non-executive directors.

Financial risk management

Refer to Note 27 for detailed disclosures on ANZ New Zealand'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 ANZ New Zealand'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 ANZ New Zealand's operational risk framework and associated ANZ New Zealand-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 ANZ New Zealand. The Boards and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

ANZ New Zealand conducts its business in accordance with all relevant compliance requirements. In order to assist ANZ New Zealand identify, manage, monitor and measure its compliance obligations, ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand'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 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 Bank's Audit Committee, with a direct communication line to the Chief Executive Officer of the Bank and the external auditor.

The Global Internal Audit Plan is developed utilising a risk based approach and is refreshed on a quarterly basis. The Bank's 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 Committees of the Ultimate Parent Bank and the Bank as appropriate, Risk Committee and management. These results influence the performance assessment of business heads.

Furthermore, Global Internal Audit monitors the remediation of audit issues and highlights the current status of any outstanding audits.

Notes to the Financial Statements

4. Income

$ millions	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Interest income				
Financial assets at fair value through profit or loss				
Trading securities	**474**	418	-	-
Financial assets not at fair value through profit or loss				
Cash	**72**	72	-	-
Available-for-sale assets	**33**	16	-	-
Net loans and advances	**6,204**	5,930	**543**	509
Other	**16**	25	-	-
	6,325	6,043	**543**	509
Total interest income	**6,799**	6,461	**543**	509
Net trading gains				
Net gain on foreign exchange trading	**157**	154	-	-
Net gain / (loss) on trading securities	**57**	(197)	-	-
Net gain / (loss) on trading derivatives	**(4)**	206	-	-
Net trading gains	**210**	163	-	-
Net funds management and insurance income				
Net funds management income	**139**	124	-	-
Net insurance income	**186**	110	-	-
Total funds management and insurance income	**325**	234	-	-
Other operating income				
Lending and credit facility fee income	**55**	57	-	-
Other fee income	**543**	541	-	-
Total fee income	**598**	598	-	-
Direct fee expense	**(216)**	(200)	-	-
Net fee income	**382**	398	-	-
Net ineffectiveness on qualifying fair value hedges	**14**	(1)	**7**	8
Net loss on derivatives not qualifying for hedge accounting	**(40)**	(75)	**(10)**	(20)
Net cash flow hedge gain transferred to income statement	**41**	21	-	-
Insurance settlement proceeds	**91**	-	-	-
Gain on sale of subsidiary and associates	-	16	-	-
Other income	**37**	32	-	-
Total other operating income	**525**	391	**(3)**	(12)

Notes to the Financial Statements

5. Expenses

$ millions	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013	NZ Branch Year to 30/09/2014	NZ Branch 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	**2,906**	2,726	**422**	398
Bonds and notes	**799**	824	**-**	-
Subordinated debt	**73**	79	**-**	-
Other	**27**	21	**-**	-
	3,805	3,650	**422**	398
Total interest expense	**4,034**	3,820	**422**	398
Operating expenses				
Personnel costs	**716**	702	**-**	-
Employee entitlements	**69**	71	**-**	-
Superannuation costs	**38**	43	**-**	-
Share-based payments expense	**22**	22	**-**	-
Building occupancy costs	**41**	41	**-**	-
Depreciation of premises and equipment	**55**	46	**-**	-
Leasing and rental costs	**78**	84	**-**	-
Technology expenses	**137**	114	**-**	-
Amortisation of software and other intangible assets	**30**	52	**-**	-
Administrative expenses	**170**	188	**-**	-
Charges from Ultimate Parent Bank	**81**	84	**-**	-
Other costs	**53**	66	**26**	26
Total operating expenses	**1,490**	1,513	**26**	26

$ thousands	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Fees paid to auditor (KPMG New Zealand)[1]				
Audit or review of financial statements[2]	**2,308**	2,481	**79**	88
Other services:				
Review of regulatory returns	**96**	186	**-**	-
Prospectus assurance or review	**249**	120	**-**	-
Other assurance services[3]	**151**	100	**-**	-
Total other services	**496**	406	**-**	-
Total fees paid to auditor relating to the NZ Branch and ANZ New Zealand	**2,804**	2,887	**79**	88
Fees paid on behalf of related entities and not recharged[4]	**147**	181	**-**	-
Total fees paid to auditor	**2,951**	3,068	**79**	88

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 ANZ New Zealand'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	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**2,347**	1,857	**85**	70
Prima facie income tax at 28%	**657**	520	**24**	20
Imputed and non-assessable dividends	**(3)**	(5)	**-**	-
Change in tax provisions	**(10)**	(10)	**-**	-
Non assessable income and non deductible expenditure	**(9)**	(18)	**-**	-
Income tax under provided in prior years	**1**	1	**-**	-
Total income tax expense	**636**	488	**24**	20
Effective tax rate (%)	**27.1%**	26.3%	**28.0%**	28.0%
Amounts recognised in the income statement				
Current tax	**532**	405	**24**	18
Deferred tax	**104**	83	**-**	2
Total income tax expense recognised in the income statement	**636**	488	**24**	20
Imputation credits available	**2,341**	1,852	**-**	-

A number of companies within ANZ New Zealand are members of an imputation group. The imputation credit balance for ANZ New Zealand includes the imputation credit balance in relation to both the imputation group and other companies within ANZ New Zealand 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	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**193**	238	**6**	6
Premises and equipment, software and intangibles	**2**	8	**-**	-
Provisions and accruals	**61**	76	**-**	-
Insurance policy assets	**(127)**	(108)	**-**	-
Financial instruments	**3**	(10)	**-**	-
Carried forward losses	**9**	15	**-**	-
Lease finance	**(191)**	(179)	**-**	-
Other deferred tax assets and liabilities (including tax provisions)	**(9)**	2	**-**	-
Net deferred tax assets / (liabilities)[1]	**(59)**	42	**6**	6

[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

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

Segmental reporting has been updated to reflect minor changes to ANZ New Zealand's structure. Comparative data has been adjusted to be consistent with the current 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. ANZ New Zealand's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Wealth

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

Institutional

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

Other

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

Notes to the Financial Statements

Business segment analysis[1]

			ANZ New Zealand			
$ millions	**Retail**	**Commercial**	**Wealth[2]**	**Institutional**	**Other**	**Total**
30/09/2014						
External interest income	**2,209**	**3,512**	**92**	**968**	**18**	**6,799**
External interest expense	**(1,096)**	**(661)**	**(199)**	**(475)**	**(1,603)**	**(4,034)**
Net intersegment interest	**(138)**	**(1,478)**	**166**	**(165)**	**1,615**	**-**
Net interest income	**975**	**1,373**	**59**	**328**	**30**	**2,765**
Other external operating income	**297**	**89**	**318**	**298**	**58**	**1,060**
Share of associates' profit	**-**	**1**	**-**	**-**	**2**	**3**
Operating income	**1,272**	**1,463**	**377**	**626**	**90**	**3,828**
Operating expenses	**632**	**488**	**137**	**182**	**51**	**1,490**
Profit before credit impairment and income tax	**640**	**975**	**240**	**444**	**39**	**2,338**
Credit impairment charge / (release)	**31**	**(40)**	**(1)**	**1**	**-**	**(9)**
Profit before income tax	**609**	**1,015**	**241**	**443**	**39**	**2,347**
Income tax expense	**171**	**284**	**59**	**123**	**(1)**	**636**
Profit after income tax	**438**	**731**	**182**	**320**	**40**	**1,711**
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	**38,193**	**61,182**	**2,526**	**34,744**	**1,883**	**138,528**
Total external liabilities	**34,945**	**23,089**	**5,316**	**28,901**	**36,196**	**128,447**
30/09/2013						
External interest income	2,157	3,238	88	969	9	6,461
External interest expense	(1,056)	(607)	(200)	(420)	(1,537)	(3,820)
Net intersegment interest	(175)	(1,316)	149	(191)	1,533	-
Net interest income	926	1,315	37	358	5	2,641
Other external operating income	297	125	195	251	(80)	788
Share of associates' profit	-	2	-	-	5	7
Operating income	1,223	1,442	232	609	(70)	3,436
Operating expenses	639	489	139	196	50	1,513
Profit before credit impairment and income tax	584	953	93	413	(120)	1,923
Credit impairment charge / (release)	57	(11)	(1)	20	1	66
Profit before income tax	527	964	94	393	(121)	1,857
Income tax expense	148	266	14	106	(46)	488
Profit after income tax	379	698	80	287	(75)	1,369
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	37,475	56,935	2,261	31,535	1,647	129,853
Total external liabilities	32,395	20,399	4,848	26,827	35,642	120,111

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	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Coins, notes and cash at bankers	**630**	328	**426**	141
Balances with central banks	**1,309**	1,709	**-**	-
Securities purchased under agreements to resell	**309**	310	**-**	-
Total cash	**2,248**	2,347	**426**	141

9. Trading Securities

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Government, local body stock and bonds	**6,607**	5,404	**-**	-
Certificates of deposit	**378**	551	**-**	-
Promissory notes	**91**	36	**-**	-
Other bank bonds	**4,630**	4,300	**-**	-
Other	**44**	29	**-**	-
Total trading securities	**11,750**	10,320	**-**	-

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 ANZ New Zealand's trading activities. Derivatives are also used to manage ANZ New Zealand'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 ANZ New Zealand 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.

	ANZ New Zealand			NZ Branch		
	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	63,800	1,454	1,234	420	-	9
Swap agreements	155,303	5,420	5,718	8,747	52	768
Options purchased	2,528	47	1	-	-	-
Options sold	2,381	1	36	-	-	-
	224,012	6,922	6,989	9,167	52	777
Interest rate derivatives						
Forward rate agreements	8,899	2	1	614	-	-
Swap agreements	680,503	4,132	3,750	3,532	4	6
Futures contracts	17,930	2	4	-	-	-
Options purchased	1,607	2	-	-	-	-
Options sold	840	1	3	-	-	-
	709,779	4,139	3,758	4,146	4	6
Commodity derivatives	346	22	21	-	-	-
Total derivatives held for trading	934,137	11,083	10,768	13,313	56	783
Derivatives in hedging relationships						
Fair value hedges						
Foreign exchange swap agreements	17	-	-	-	-	-
Interest rate swap agreements	25,494	242	85	4,567	6	19
	25,511	242	85	4,567	6	19
Cash flow hedges						
Interest rate swap agreements	18,866	96	108	-	-	-
Total derivatives in hedging relationships	44,377	338	193	4,567	6	19
Total derivative financial instruments	978,514	11,421	10,961	17,880	62	802

Notes to the Financial Statements

30/09/2013 $ millions	ANZ New Zealand Notional principal amount	Fair values Assets	Liabilities	NZ Branch Notional principal amount	Fair values Assets	Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	53,870	566	985	283	2	2
Swap agreements	139,110	3,187	5,090	8,233	-	991
Options purchased	2,982	52	-	-	-	-
Options sold	2,973	1	70	-	-	-
	198,935	3,806	6,145	8,516	2	993
Interest rate derivatives						
Forward rate agreements	15,442	-	2	435	-	-
Swap agreements	518,586	5,386	4,843	1,124	6	5
Futures contracts	24,857	2	6	-	-	-
Options purchased	1,098	4	-	-	-	-
Options sold	1,010	-	5	-	-	-
	560,993	5,392	4,856	1,559	6	5
Commodity derivatives	366	32	32	-	-	-
Total derivatives held for trading	760,294	9,230	11,033	10,075	8	998
Derivatives in hedging relationships						
Fair value hedges						
Foreign exchange swap agreements	55	2	-	-	-	-
Interest rate swap agreements	24,718	186	76	4,443	4	23
	24,773	188	76	4,443	4	23
Cash flow hedges						
Interest rate swap agreements	15,240	90	99	-	-	-
Total derivatives in hedging relationships	40,013	278	175	4,443	4	23
Total derivative financial instruments	800,307	9,508	11,208	14,518	12	1,021

Derivatives held for trading

The held for trading classification includes two categories of derivative instruments: those held as trading positions and those used for ANZ New Zealand'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

ANZ New Zealand 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

ANZ New Zealand'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	ANZ New Zealand **30/09/2014**	30/09/2013	NZ Branch **30/09/2014**	30/09/2013
Gain / (loss) arising from fair value hedges:				
- hedged item	**(51)**	80	**-**	(20)
- hedging instrument	**65**	(81)	**7**	28
Net ineffectiveness on qualifying fair value hedges	**14**	(1)	**7**	8

Notes to the Financial Statements

Cash flow hedges

ANZ New Zealand'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

	ANZ New Zealand		NZ Branch	
$ 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)	-	-
Variable rate liabilities	-	15	-	-
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**22**	29	-	-
Total cash flow hedging reserve	**(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

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Government, local body stock and bonds	**522**	742	-	-
Other debt securities	**248**	198	-	-
Equity securities	**2**	2	-	-
Total available-for-sale assets	**772**	942	-	-

12. Net Loans and Advances

		ANZ New Zealand		NZ Branch	
$ millions	**Note**	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Overdrafts		**1,744**	1,841	-	-
Credit card outstandings		**1,580**	1,458	-	-
Term loans - housing		**61,918**	58,814	**9,192**	9,273
Term loans - non-housing		**39,622**	37,673	-	-
Lease receivables		**277**	351	-	-
Hire purchase		**837**	721	-	-
Other		**125**	125	-	-
Total gross loans and advances		**106,103**	100,983	**9,192**	9,273
Less: Provision for credit impairment	**13**	**(688)**	(849)	**(22)**	(23)
Less: Unearned income		**(212)**	(214)	**(1)**	-
Add: Capitalised brokerage/mortgage origination fees		**215**	162	**7**	6
Add: Customer liability for acceptances		**67**	31	-	-
Total net loans and advances		**105,485**	100,113	**9,176**	9,256

Notes to the Financial Statements

13. Provision for Credit Impairment

Credit impairment charge / (release)

	ANZ New Zealand				NZ Branch			
$ 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	**68**	**120**	**111**	**299**	**18**	**-**	**-**	**18**
Write-backs	**(54)**	**(21)**	**(112)**	**(187)**	**(10)**	**-**	**-**	**(10)**
Recoveries of amounts written off previously	**(2)**	**(20)**	**(7)**	**(29)**	**-**	**-**	**-**	**-**
Individual credit impairment charge / (release)	**12**	**79**	**(8)**	**83**	**8**	**-**	**-**	**8**
Collective credit impairment charge / (release)	**(24)**	**1**	**(69)**	**(92)**	**(1)**	**-**	**-**	**(1)**
Credit impairment charge / (release)	**(12)**	**80**	**(77)**	**(9)**	**7**	**-**	**-**	**7**
30/09/2013								
New and increased provisions	105	113	157	375	18	-	-	18
Write-backs	(88)	(30)	(104)	(222)	(13)	-	-	(13)
Recoveries of amounts written off previously	(2)	(16)	(5)	(23)	-	-	-	-
Individual credit impairment charge	15	67	48	130	5	-	-	5
Collective credit impairment release	(5)	(8)	(51)	(64)	(2)	-	-	(2)
Credit impairment charge / (release)	10	59	(3)	66	3	-	-	3

Movement in provision for credit impairment

	ANZ New Zealand				NZ Branch			
$ 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	**115**	**117**	**324**	**556**	**14**	**-**	**-**	**14**
Charge / (release) to income statement	**(24)**	**1**	**(69)**	**(92)**	**(1)**	**-**	**-**	**(1)**
Balance at end of the year	**91**	**118**	**255**	**464**	**13**	**-**	**-**	**13**
Individual provision								
Balance at beginning of the year	**83**	**22**	**188**	**293**	**9**	**-**	**-**	**9**
New and increased provisions net of write-backs	**14**	**99**	**(1)**	**112**	**8**	**-**	**-**	**8**
Bad debts written off	**(10)**	**(106)**	**(67)**	**(183)**	**(7)**	**-**	**-**	**(7)**
Discount unwind reversal / (discount unwind)[1]	**(6)**	**-**	**8**	**2**	**(1)**	**-**	**-**	**(1)**
Balance at end of the year	**81**	**15**	**128**	**224**	**9**	**-**	**-**	**9**
Total provision for credit impairment	**172**	**133**	**383**	**688**	**22**	**-**	**-**	**22**
30/09/2013								
Collective provision								
Balance at beginning of the year	120	125	375	620	16	-	-	16
Release to income statement	(5)	(8)	(51)	(64)	(2)	-	-	(2)
Balance at end of the year	115	117	324	556	14	-	-	14
Individual provision								
Balance at beginning of the year	130	26	305	461	11	-	-	11
New and increased provisions net of write-backs	17	83	53	153	5	-	-	5
Bad debts written off	(55)	(87)	(150)	(292)	(6)	-	-	(6)
Discount unwind[1]	(9)	-	(20)	(29)	(1)	-	-	(1)
Balance at end of the year	83	22	188	293	9	-	-	9
Total provision for credit impairment	198	139	512	849	23	-	-	23

[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	ANZ New Zealand				NZ Branch			
	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	**214**	**49**	**673**	**936**	**35**	**-**	**-**	**35**
Transfers from productive	**218**	**138**	**299**	**655**	**40**	**-**	**-**	**40**
Transfers to productive	**(51)**	**(4)**	**(153)**	**(208)**	**(10)**	**-**	**-**	**(10)**
Assets realised or loans repaid	**(148)**	**(42)**	**(342)**	**(532)**	**(24)**	**-**	**-**	**(24)**
Write offs	**(10)**	**(106)**	**(67)**	**(183)**	**(7)**	**-**	**-**	**(7)**
Total impaired assets	**223**	**35**	**410**	**668**	**34**	**-**	**-**	**34**
Undrawn facilities with impaired customers	**1**	**-**	**38**	**39**	**-**	**-**	**-**	**-**
30/09/2013								
Balance at beginning of the year	352	44	1,009	1,405	39	-	-	39
Transfers from productive	315	134	408	857	47	-	-	47
Transfers to productive	(93)	(5)	(194)	(292)	(2)	-	-	(2)
Assets realised or loans repaid	(305)	(37)	(400)	(742)	(43)	-	-	(43)
Write offs	(55)	(87)	(150)	(292)	(6)	-	-	(6)
Total impaired assets	214	49	673	936	35	-	-	35
Undrawn facilities with impaired customers	-	1	24	25	-	-	-	-

15. Investments in Subsidiaries and Associates

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

Principal subsidiaries	Nature of business
Members of the Banking Group	
ANZ Bank New Zealand Limited	Registered bank
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
Other operating members of ANZ New Zealand (together with the NZ Branch, the "Relevant Members")	
ANZ Capel Court Limited (New Zealand Branch)[2]	Securitisation services
ANZ Holdings (New Zealand) Limited	Holding company
ANZ Securities (NZ) Limited	Nominee

[1] ANZ New Zealand does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as ANZ New Zealand retains substantially all the risks and rewards of the operations. Details of ANZ New Zealand's interest in consolidated structured entities is included in note 34.
[2] Incorporated in Australia and registered in New Zealand as an Overseas ASIC Company.

Notes to the Financial Statements

16. Other Assets

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Accrued interest and prepaid discounts	**428**	374	**2**	1
Accrued commission	**19**	18	**-**	-
Share-based payments asset	**60**	62	**-**	-
Prepaid expenses	**15**	15	**-**	-
Other assets	**110**	101	**-**	-
Total other assets	**632**	570	**2**	1

17. Goodwill and Other Intangible Assets

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Goodwill	**3,233**	3,233	**-**	-
Software	**96**	84	**-**	-
Other intangibles	**125**	131	**-**	-
Total goodwill and other intangible assets	**3,454**	3,448	**-**	-

18. Deposits and Other Borrowings

$ millions	Note	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Certificates of deposit		**1,376**	2,364	**-**	-
Term deposits		**34,758**	33,862	**-**	-
Other deposits bearing interest and other borrowings		**34,027**	29,687	**-**	-
Deposits not bearing interest		**6,001**	5,526	**-**	-
Deposits from banks		**226**	180	**-**	-
Commercial paper		**6,057**	4,765	**-**	-
UDC secured investments	28	**1,569**	1,492	**-**	-
Borrowings from Ultimate Parent Bank and Immediate Parent Company	23	**10,513**	10,137	**8,747**	8,372
Total deposits and other borrowings		**94,527**	88,013	**8,747**	8,372

Deposits from customers are unsecured and rank equally with other unsecured liabilities of ANZ New Zealand. 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	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Creditors	**58**	61	**-**	-
Accrued interest and unearned discounts	**534**	514	**39**	40
Defined benefit schemes deficit	**20**	60	**-**	-
Share-based payments liability	**39**	39	**-**	-
Accrued charges	**229**	254	**23**	2
Security settlements and short sales	**226**	143	**-**	-
Life insurance contract liabilities - reinsurance	**104**	100	**-**	-
Liability for acceptances	**67**	31	**-**	-
Other liabilities	**75**	58	**3**	-
Total payables and other liabilities	**1,352**	1,260	**65**	42

20. Provisions

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Employee annual and long service leave	**114**	120	**-**	-
Other[1]	**90**	109	**-**	-
Total provisions	**204**	229	**-**	-

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

21. Bonds and Notes

$ millions	Note	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Domestic bonds		**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	**-**	-
Trust securities[2]		**-**	905	**-**	-
Index linked notes		**35**	84	**-**	-
Total bonds and notes issued		**16,921**	16,362	**-**	-
Fair value hedge adjustment		**129**	77	**-**	-
Less bonds and notes held by the Bank		**(8)**	(32)	**-**	-
Total bonds and notes		**17,042**	16,407	**-**	-

Bonds and notes, other than covered bonds, are unsecured and rank equally with other unsecured liabilities of ANZ New Zealand.

[1] These bonds and notes are issued by ANZ New Zealand (Int'l) Limited and are guaranteed by the Bank.
[2] Trust Securities were issued by Samson Funding Limited on 26 November 2003. The notes were 'stapled' to preference shares issued by the Ultimate Parent Bank and were redeemed on 16 December 2013.

Notes to the Financial Statements

22. Subordinated Debt

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
NZD 835,000,000 perpetual subordinated bond	**835**	835	-	-
AUD 265,740,000 perpetual subordinated floating rate loan	**298**	299	-	-
AUD 10,000,000 perpetual subordinated floating rate loan	**11**	11	-	-
AUD 265,017,668 subordinated floating rate loan	**298**	298	-	-
Total subordinated debt issued	**1,442**	1,443	-	-
Less subordinated debt instruments held by the Bank	-	(1)	-	-
Total subordinated debt	**1,442**	1,442	-	-

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.

AUD 265,017,668 loan

This loan was drawn down by ANZ Holdings (New Zealand) Limited on 25 September 2013. The loan matures on 1 March 2024, but ANZ Holdings (New Zealand) Limited may elect to repay the loan on any interest payment date from 1 March 2019. Interest is payable half yearly in arrears at BBSW + 2.60% p.a., with interest payments due on 1 March and 1 September each year.

Notes to the Financial Statements

23. Related Party Transactions

Key management personnel

Key management personnel are defined as the Directors and senior management of ANZ New Zealand - 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.

	ANZ New Zealand		NZ Branch	
	Year to	Year to	**Year to**	Year to
$ thousands	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Key management personnel compensation				
Salaries and short-term employee benefits	**12,402**	13,210	-	-
Post-employment benefits	**387**	258	-	-
Other long-term benefits	**130**	76	-	-
Termination benefits	-	123	-	-
Share-based payments expense	**5,400**	5,693	-	-
Total compensation of key management personnel	**18,319**	19,360	-	-
Loans to and deposits held by key management personnel				
Loans to key management personnel	**7,661**	5,741	-	-
Deposits from key management personnel	**5,035**	8,001	-	-

Transactions with other related parties

The NZ Branch and ANZ New Zealand 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 ANZ New Zealand employees. Transactions with related parties outside of ANZ New Zealand 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 ANZ New Zealand 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	ANZ New Zealand		NZ Branch	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand				
Interest income	**3**	2	**11**	-
Interest expense	**484**	544	**422**	398
Other operating income	**116**	16	**3**	-
Operating expenses	**81**	84	-	-
Immediate Parent Company				
Interest expense	**66**	63	-	-
Preference shares issued	**969**	-	-	-
The Bank				
Operating expenses	-	-	**26**	25
Mortgages purchased from the Bank	-	-	**3,393**	3,144
Associates				
Interest expense	**3**	2	-	-
Share of associates' profit	**3**	7	-	-

Notes to the Financial Statements

Balances with related parties

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand				
Cash	**487**	236	**426**	141
Settlement balances receivable	**12**	22	**-**	-
Collateral paid	**125**	-	**-**	-
Derivative financial instruments	**3,764**	1,903	**51**	-
Other assets	**63**	66	**2**	1
The Bank				
Settlement balances receivable	**-**	-	**304**	314
Derivative financial instruments	**-**	-	**11**	12
Associates				
Investments in associates	**88**	98	**-**	-
Total due from related parties	**4,539**	2,325	**794**	468
Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand				
Settlement balances payable	**120**	37	**-**	-
Deposits and other borrowings	**8,928**	8,372	**8,747**	8,372
Derivative financial instruments	**4,576**	3,133	**768**	991
Payables and other liabilities	**49**	66	**39**	40
Bonds and notes	**-**	2,180	**-**	-
Subordinated debt	**607**	608	**-**	-
Immediate Parent Company				
Deposits and other borrowings	**1,766**	1,766	**-**	-
Payables and other liabilities	**6**	5	**-**	-
The Bank				
Derivative financial instruments	**-**	-	**34**	30
Payables and other liabilities	**-**	-	**22**	-
Associates				
Deposits and other borrowings	**85**	85	**-**	-
Total due to related parties	**16,137**	16,252	**9,610**	9,433

Balances due from / to related parties are unsecured other than that ANZ New Zealand and the Bank have provided guarantees and commitments to related parties as follows:

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Financial guarantees provided to the Ultimate Parent Bank	**180**	181	**-**	-

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.

	ANZ New Zealand				NZ Branch			
	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	**2,248**	-	2,347	-	**426**	-	141	-
Settlement balances receivable	**855**	-	515	-	**304**	-	314	-
Collateral paid	**783**	-	1,002	-	-	-	-	-
Trading securities	**11,750**	-	10,320	-	-	-	-	-
Investment backing insurance contract liabilities	**190**	-	169	3	-	-	-	-
Derivative financial instruments	**11,421**	-	9,508	-	**62**	-	12	-
Current tax assets	-	-	1	-	-	-	-	-
Available-for-sale assets	**437**	**335**	567	375	-	-	-	-
Net loans and advances	**26,932**	**78,553**	29,671	70,442	**471**	**8,705**	425	8,831
Other assets	**572**	**60**	508	62	**2**	-	1	-
Insurance contract assets	-	**470**	-	399	-	-	-	-
Investments in subsidiaries and associates	-	**88**	-	98	-	-	-	-
Deferred tax assets	-	-	-	42	-	**6**	-	6
Premises and equipment	-	**380**	-	376	-	-	-	-
Goodwill and other Intangible assets	-	**3,454**	-	3,448	-	-	-	-
Total assets	**55,188**	**83,340**	54,608	75,245	**1,265**	**8,711**	893	8,837
Liabilities								
Settlement balances payable	**1,992**	-	1,114	-	-	-	-	-
Collateral Received	**800**	-	438	-	-	-	-	-
Deposits and other borrowings	**84,390**	**10,137**	79,360	8,653	**2,428**	**6,319**	2,273	6,099
Derivative financial instruments	**10,961**	-	11,208	-	**802**	-	1,021	-
Current tax liabilities	**68**	-	-	-	**24**	-	18	-
Deferred tax liabilities	-	**59**	-	-	-	-	-	-
Payables and other liabilities	**1,293**	**59**	1,161	99	**65**	-	42	-
Provisions	**117**	**87**	137	92	-	-	-	-
Bond and Notes	**3,944**	**13,098**	4,251	12,156	-	-	-	-
Subordinated debt	-	**1,442**	-	1,442	-	-	-	-
Total liabilities	**103,565**	**24,882**	97,669	22,442	**3,319**	**6,319**	3,354	6,099

Notes to the Financial Statements

25. Share Capital and Initial Head Office Account

ANZ New Zealand	Number of issued shares		$ millions	
	30/09/2014	30/09/2013	**30/09/2014**	30/09/2013
Ordinary shares				
At beginning and end of the year	**381,655,112**	381,655,112	**1,453**	1,453
Redeemable preference shares				
At beginning of the year	**4,005,295,229**	4,005,295,229	**4,960**	4,960
Issued during the year	**898,397,703**	-	**969**	-
Redeemable preference shares at end of the year	**4,903,692,932**	4,005,295,229	**5,929**	4,960
Paid in share capital	**5,285,348,044**	4,386,950,341	**7,382**	6,413
NZ Branch initial head office account	**-**	-	**11**	11
Total ANZ New Zealand share capital & initial head office account	**5,285,348,044**	4,386,950,341	**7,393**	6,424

Ordinary shares

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on winding up. 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.

During the year ended 30 September 2014 ANZ Holdings (New Zealand) Limited (ANZH) paid ordinary dividends of $2,335 million (30/09/2013 $720 million) to the Immediate Parent Company (equivalent to $6.17 (30/09/2013 $1.89) per share).

Redeemable preference shares

All redeemable preference shares (RPS) were issued by ANZH to members of the Overseas Banking Group. RPS carry no voting rights and are redeemable by ANZH providing notice in writing to holders of the RPS. Dividends are payable at the discretion of the directors of ANZH and are non-cumulative.

There are six classes of RPS, relating to issues in 1988, 2005, 2007, 2008, 2009 and 2014. ANZH did not pay any dividends on RPS during the years ended 30 September 2014 and 30 September 2013.

In the event of liquidation, holders of RPS are entitled to available subscribed capital per share, pari passu with all holders of existing RPS but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

Head office account

The NZ Branch capital comprises the initial head office account only. The head office account is the funds provided by the Ultimate Parent Bank on the creation of the NZ Branch. It is non-interest bearing and there is no fixed date of repayment.

Notes to the Financial Statements

26. Capital Adequacy

Capital management policies

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 Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for ANZ New Zealand'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.

ANZ New Zealand 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 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 ongoing monitoring, reporting and compliance. ANZ New Zealand's ICAAP is subject to independent and 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.

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.

Market risk

ANZ New Zealand's aggregate market risk exposures below have been calculated in accordance with the RBNZ document BS2B. The peak end-of-day market risk exposures are for the half-year ended 30 September 2014.

	Implied risk weighted exposure		Notional capital charge		Peak
$ millions	**Period end**	**Peak**	**Period end**	**Peak**	**occurred on**
Unaudited 30/09/2014					
Interest rate risk	**5,572**	**5,745**	**446**	**460**	**26/09/2014**
Foreign currency risk	**55**	**164**	**4**	**13**	**16/07/2014**
Equity risk	**2**	**2**	**-**	**-**	**1/07/2014**
	5,629		**450**		

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

Unaudited $ millions	30/09/2014 On-balance sheet	Off-balance sheet	Total
LVR range			
Does not exceed 60%	22,191	3,559	25,750
Exceeds 60% and not 70%	10,905	984	11,889
Exceeds 70% and not 80%	17,433	1,442	18,875
Does not exceed 80%	50,529	5,985	56,514
Exceeds 80% and not 90%	6,073	212	6,285
Exceeds 90%	3,205	222	3,427
Total	59,807	6,419	66,226

Reconciliation of mortgage related amounts

Unaudited $ millions	Note	30/09/2014
Term loans - housing	12	61,918
Add: fair value hedging adjustment		33
Add: short-term housing loans classified as overdrafts		490
Less: housing loans made to corporate customers		(2,634)
Gross retail mortgage loans / On-balance sheet retail mortgage exposures	27	59,807
Add: off-balance sheet retail mortgage exposures		6,419
Total retail mortgage exposures as per LVR analysis		66,226

Notes to the Financial Statements

27. Financial Risk Management

Strategy in using financial instruments

Financial instruments are fundamental to ANZ New Zealand'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 ANZ New Zealand. Financial instruments create, modify or reduce the credit, market and liquidity risks of ANZ New Zealand's balance sheet. ANZ New Zealand's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of ANZ New Zealand.

The risk management and policy control framework applicable to the entities comprising ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand, 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. ANZ New Zealand 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.

ANZ New Zealand has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of ANZ New Zealand are set by each 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 ANZ New Zealand with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by each 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 ANZ New Zealand'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. For the key operating entities within ANZ New Zealand, credit risk policy and management is executed through the Chief Risk Officer, who is responsible for various dedicated areas within the Risk Management division. A formal outsourcing agreement provides for credit risk functions to be provided to a number of ANZ New Zealand entities by staff of the Bank.

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 ANZ New Zealand.

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 ANZ New Zealand incurs country risk and have a direct bearing on ANZ New Zealand'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 ANZ New Zealand's capital pricing model for cross border flows.

The recording of country limits provides ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand executives and each Board.

Collateral management

ANZ New Zealand credit principles specify lending only what the counterparty has the capacity and ability to repay and ANZ New Zealand 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. ANZ New Zealand 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 ANZ New Zealand does not usually hold any real estate or other assets acquired through the enforcement of security.

ANZ New Zealand 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 ANZ New Zealand'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.

ANZ New Zealand 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 ANZ New Zealand'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

30/09/2014 $ millions	ANZ New Zealand 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	17,362	76	1,364	18,811
Forestry, fishing and mining	-	-	8	1,122	5	914	2,049
Business and property services	-	-	16	9,507	42	2,499	12,064
Construction	-	-	-	1,217	5	935	2,157
Entertainment, leisure and tourism	-	-	25	1,028	5	238	1,296
Finance and insurance	2,373	5,526	10,078	972	306	1,214	20,469
Government and local authority[1]	1,309	6,857	630	1,256	6	1,305	11,363
Manufacturing	-	25	177	3,031	13	2,067	5,313
Personal lending	-	-	-	63,940	241	15,106	79,287
Retail trade	-	-	20	2,031	9	968	3,028
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	1,836	8	1,736	4,094
	3,682	12,522	11,421	106,170	729	30,366	164,890
Less: Provision for credit impairment	-	-	-	(583)	-	(105)	(688)
Less: Unearned income	-	-	-	(212)	-	-	(212)
Add: Capitalised brokerage/mortgage origination fees	-	-	-	215	-	-	215
Total financial assets	3,682	12,522	11,421	105,590	729	30,261	164,205
Geography							
New Zealand	2,992	8,339	2,630	103,165	719	30,081	147,926
Overseas	690	4,183	8,791	2,425	10	180	16,279
Total financial assets	3,682	12,522	11,421	105,590	729	30,261	164,205
30/09/2013							
Industry							
Agriculture	-	29	22	17,470	70	1,229	18,820
Forestry, fishing and mining	-	-	11	940	4	894	1,849
Business and property services	-	1	24	8,904	36	2,363	11,328
Construction	-	-	-	1,035	4	709	1,748
Entertainment, leisure and tourism	-	-	27	1,033	4	326	1,390
Finance and insurance	1,902	5,284	8,576	678	294	1,267	18,001
Government and local authority[1]	1,764	5,872	248	1,252	5	1,022	10,163
Manufacturing	-	-	69	2,971	12	1,996	5,048
Personal lending	-	-	-	60,674	206	11,865	72,745
Retail trade	-	-	40	1,822	7	991	2,860
Transport and storage	-	3	54	1,473	6	610	2,146
Wholesale trade	-	-	13	1,315	5	1,369	2,702
Other[2]	-	73	424	1,447	6	2,627	4,577
	3,666	11,262	9,508	101,014	659	27,268	153,377
Less: Provision for credit impairment	-	-	-	(712)	-	(137)	(849)
Less: Unearned income	-	-	-	(214)	-	-	(214)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	162	-	-	162
Total financial assets	3,666	11,262	9,508	100,250	659	27,131	152,476
Geography							
New Zealand	3,038	7,843	2,491	97,878	650	26,950	138,850
Overseas	628	3,419	7,017	2,372	9	181	13,626
Total financial assets	3,666	11,262	9,508	100,250	659	27,131	152,476

Notes to the Financial Statements

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
	NZ Branch						
Industry							
Agriculture	-	-	-	**1**	-	-	**1**
Business and property services	-	-	-	**3**	-	-	**3**
Construction	-	-	-	**3**	-	-	**3**
Entertainment, leisure and tourism	-	-	-	**2**	-	-	**2**
Finance and insurance	**730**	-	**62**	-	**2**	-	**794**
Government and local authority[1]	-	-	-	**1**	-	-	**1**
Manufacturing	-	-	-	**1**	-	-	**1**
Personal lending	-	-	-	**9,177**	-	**33**	**9,210**
Retail trade	-	-	-	**2**	-	-	**2**
Transport and storage	-	-	-	**1**	-	-	**1**
Other[2]	-	-	-	**1**	-	-	**1**
	730	-	**62**	**9,192**	**2**	**33**	**10,019**
Less: Provision for credit impairment	-	-	-	**(22)**	-	-	**(22)**
Less: Unearned income	-	-	-	**(1)**	-	-	**(1)**
Add: Capitalised brokerage / mortgage origination fees	-	-	-	**7**	-	-	**7**
Total financial assets	**730**	-	**62**	**9,176**	**2**	**33**	**10,003**
Geography							
New Zealand	**730**	-	**11**	**8,919**	**2**	**33**	**9,695**
Overseas	-	-	**51**	**257**	-	-	**308**
Total financial assets	**730**	-	**62**	**9,176**	**2**	**33**	**10,003**
30/09/2013							
Industry							
Agriculture	-	-	-	1	-	-	1
Business and property services	-	-	-	5	-	-	5
Construction	-	-	-	2	-	-	2
Entertainment, leisure and tourism	-	-	-	2	-	-	2
Finance and insurance	455	-	12	7	1	-	475
Government and local authority[1]	-	-	-	2	-	-	2
Manufacturing	-	-	-	1	-	-	1
Personal lending	-	-	-	9,248	-	54	9,302
Retail trade	-	-	-	2	-	-	2
Transport and storage	-	-	-	1	-	-	1
Other[2]	-	-	-	2	-	-	2
	455	-	12	9,273	1	54	9,795
Less: Provision for credit impairment	-	-	-	(23)	-	-	(23)
Add: Capitalised brokerage / mortgage origination fees	-	-	-	6	-	-	6
Total financial assets	455	-	12	9,256	1	54	9,778
Geography							
New Zealand	314	-	12	9,010	1	54	9,391
Overseas	141	-	-	246	-	-	387
Total financial assets	455	-	12	9,256	1	54	9,778

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 ANZ New Zealand holds over a borrower's specific asset (or assets) where ANZ New Zealand 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.

ANZ New Zealand 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.

	ANZ New Zealand			NZ Branch		
$ 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	**2,044**	**309**	**1,735**	**426**	**-**	**426**
Settlement balances receivable	**855**	**746**	**109**	**304**	**-**	**304**
Collateral paid	**783**	**-**	**783**	**-**	**-**	**-**
Trading securities	**11,750**	**-**	**11,750**	**-**	**-**	**-**
Derivative financial instruments	**11,421**	**800**	**10,621**	**62**	**-**	**62**
Available-for-sale assets	**772**	**-**	**772**	**-**	**-**	**-**
Net loans and advances	**105,590**	**95,066**	**10,524**	**9,176**	**9,119**	**57**
Other financial assets	**729**	**380**	**349**	**2**	**-**	**2**
Credit related commitments	**30,261**	**15,373**	**14,888**	**33**	**33**	**-**
Total exposure to credit risk	**164,205**	**112,674**	**51,531**	**10,003**	**9,152**	**851**
30/09/2013						
On and off-balance sheet positions						
Cash	2,149	310	1,839	141	-	141
Settlement balances receivable	515	254	261	314	-	314
Collateral paid	1,002	-	1,002	-	-	-
Trading securities	10,320	-	10,320	-	-	-
Derivative financial instruments	9,508	438	9,070	12	-	12
Available-for-sale assets	942	-	942	-	-	-
Net loans and advances	100,250	90,612	9,638	9,256	9,227	29
Other financial assets	659	329	330	1	-	1
Credit related commitments	27,131	12,824	14,307	54	54	-
Total exposure to credit risk	152,476	104,767	47,709	9,778	9,281	497

Credit quality

A core component of ANZ New Zealand'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.

ANZ New Zealand'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

ANZ New Zealand'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 ANZ New Zealand 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 ANZ New Zealand'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

	ANZ New Zealand				NZ Branch			
$ 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	**49,092**	**1,428**	**21,836**	**72,356**	**7,600**	-	-	**7,600**
Satisfactory risk rating	**8,777**	**2,721**	**17,040**	**28,538**	**1,247**	-	-	**1,247**
Substandard but not past due or impaired	**709**	**313**	**1,254**	**2,276**	**129**	-	-	**129**
Total neither past due nor impaired	**58,578**	**4,462**	**40,130**	**103,170**	**8,976**	-	-	**8,976**
Past due but not impaired:								
1 to 5 days	**361**	**121**	**580**	**1,062**	**19**	-	-	**19**
6 to 29 days	**275**	**91**	**190**	**556**	**77**	-	-	**77**
1 to 29 days	**636**	**212**	**770**	**1,618**	**96**	-	-	**96**
30 to 59 days	**176**	**31**	**116**	**323**	**43**	-	-	**43**
60 to 89 days	**84**	**16**	**52**	**152**	**21**	-	-	**21**
90 days and over	**110**	**30**	**32**	**172**	**22**	-	-	**22**
Total past due but not impaired	**1,006**	**289**	**970**	**2,265**	**182**	-	-	**182**
Total impaired assets	**223**	**35**	**410**	**668**	**34**	-	-	**34**
Gross loans and advances	**59,807**	**4,786**	**41,510**	**106,103**	**9,192**	-	-	**9,192**
30/09/2013								
Strong risk rating	45,713	1,342	21,010	68,065	7,611	-	-	7,611
Satisfactory risk rating	8,866	2,519	15,591	26,976	1,316	-	-	1,316
Substandard but not past due or impaired	873	326	1,792	2,991	152	-	-	152
Total neither past due nor impaired	55,452	4,187	38,393	98,032	9,079	-	-	9,079
Past due but not impaired:								
1 to 5 days	356	138	477	971	29	-	-	29
6 to 29 days	246	94	148	488	69	-	-	69
1 to 29 days	602	232	625	1,459	98	-	-	98
30 to 59 days	141	38	57	236	30	-	-	30
60 to 89 days	64	19	13	96	15	-	-	15
90 days and over	108	40	76	224	16	-	-	16
Total past due but not impaired	915	329	771	2,015	159	-	-	159
Total impaired assets	214	49	673	936	35	-	-	35
Gross loans and advances	56,581	4,565	39,837	100,983	9,273	-	-	9,273

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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand’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.

ANZ New Zealand conducts trading operations in interest rates, foreign exchange, commodities and debt securities.

ANZ New Zealand 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 ANZ New Zealand, 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 ANZ New Zealand 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, ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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 ANZ New Zealand 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.

ANZ New Zealand's standard VaR approach for both traded and non-traded risk is historical simulation. ANZ New Zealand 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 ANZ New Zealand could experience from an extreme market event. As a result of this limitation, ANZ New Zealand 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

	ANZ New Zealand 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 ANZ New Zealand. The diversification benefit reflects the historical correlation between foreign exchange, interest rate and debt markets.

To supplement the VaR methodology, ANZ New Zealand applies a wide range of stress tests, both on individual portfolios and at ANZ New Zealand level. ANZ New Zealand's stress-testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures of ANZ New Zealand.

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 ANZ New Zealand'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 ANZ New Zealand'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 ANZ New Zealand 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 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.

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

	ANZ New Zealand			
$ 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	9.1	14.2	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.

	ANZ New Zealand	
	30/09/2014	30/09/2013
Impact of 1% rate shock		
Period end	**1.1%**	1.0%
Maximum exposure	**1.8%**	2.1%
Minimum exposure	**0.7%**	0.5%
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 ANZ New Zealand'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 ANZ New Zealand'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

	ANZ New Zealand						
$ 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	**2,248**	**2,044**	**-**	**-**	**-**	**-**	**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	**11,421**	**-**	**-**	**-**	**-**	**-**	**11,421**
Available-for-sale assets	**772**	**262**	**10**	**250**	**-**	**248**	**2**
Net loans and advances	**105,485**	**58,147**	**7,135**	**12,263**	**18,525**	**9,879**	**(464)**
Other financial assets	**729**	**137**	**35**	**18**	**-**	**-**	**539**
Total financial assets	**134,043**	**62,814**	**7,484**	**14,162**	**18,943**	**18,136**	**12,504**
Liabilities							
Settlement balances payable	**1,992**	**512**	**-**	**-**	**-**	**-**	**1,480**
Collateral received	**800**	**800**	**-**	**-**	**-**	**-**	**-**
Deposits and other borrowings	**94,527**	**66,290**	**10,852**	**7,566**	**2,371**	**1,447**	**6,001**
Derivative financial instruments	**10,961**	**-**	**-**	**-**	**-**	**-**	**10,961**
Bonds and notes	**17,042**	**5,149**	**267**	**1,971**	**2,811**	**6,844**	**-**
Subordinated debt	**1,442**	**-**	**607**	**-**	**-**	**835**	**-**
Other financial liabilities	**884**	**130**	**-**	**10**	**6**	**146**	**592**
Total financial liabilities	**127,648**	**72,881**	**11,726**	**9,547**	**5,188**	**9,272**	**19,034**
Hedging instruments	**-**	**12,610**	**2,333**	**1,746**	**(13,269)**	**(3,420)**	**-**
Interest sensitivity gap	**6,395**	**2,543**	**(1,909)**	**6,361**	**486**	**5,444**	**(6,530)**
30/09/2013							
Assets							
Cash	2,347	2,159	-	-	-	-	188
Settlement balances receivable	515	35	-	-	-	-	480
Collateral paid	1,002	1,002	-	-	-	-	-
Trading securities	10,320	1,235	455	606	3,105	4,919	-
Derivative financial instruments	9,508	-	-	-	-	-	9,508
Available-for-sale assets	942	337	234	23	250	96	2
Net loans and advances	100,113	64,014	5,945	12,410	12,221	6,079	(556)
Other financial assets	659	103	30	36	3	-	487
Total financial assets	125,406	68,885	6,664	13,075	15,579	11,094	10,109
Liabilities							
Settlement balances payable	1,114	547	-	-	-	-	567
Collateral received	438	438	-	-	-	-	-
Deposits and other borrowings	88,013	62,282	9,419	8,232	1,437	1,117	5,526
Derivative financial instruments	11,208	-	-	-	-	-	11,208
Bonds and notes	16,407	5,780	47	266	2,933	7,381	-
Subordinated debt	1,442	-	607	-	-	835	-
Payables and other liabilities	764	23	-	-	-	126	615
Total financial liabilities	119,386	69,070	10,073	8,498	4,370	9,459	17,916
Hedging instruments	-	(1,881)	14,330	(4,714)	(10,828)	3,093	-
Interest sensitivity gap	6,020	(2,066)	10,921	(137)	381	4,728	(7,807)

Notes to the Financial Statements

$ 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
				NZ Branch			
30/09/2014							
Assets							
Cash	**426**	**426**	-	-	-	-	-
Settlement balances receivable	**304**	-	-	-	-	-	**304**
Derivative financial instruments	**62**	-	-	-	-	-	**62**
Net loans and advances	**9,176**	**3,747**	**934**	**1,660**	**2,116**	**732**	**(13)**
Other financial assets	**2**	-	-	-	-	-	**2**
Total financial assets	**9,970**	**4,173**	**934**	**1,660**	**2,116**	**732**	**355**
Liabilities							
Deposits and other borrowings	**8,747**	**8,747**	-	-	-	-	-
Derivative financial instruments	**802**	-	-	-	-	-	**802**
Payables and other liabilities	**42**	-	-	-	-	-	**42**
Total financial liabilities	**9,591**	**8,747**	-	-	-	-	**844**
Hedging instruments	-	**5,079**	**(266)**	**(2,121)**	**(1,961)**	**(731)**	-
Interest sensitivity gap	**379**	**505**	**668**	**(461)**	**155**	**1**	**(489)**
30/09/2013							
Assets							
Cash	141	141	-	-	-	-	-
Settlement balances receivable	314	-	-	-	-	-	314
Derivative financial instruments	12	-	-	-	-	-	12
Net loans and advances	9,256	5,229	830	1,584	1,305	321	(13)
Other financial assets	1	-	-	-	-	-	1
Total financial assets	9,724	5,370	830	1,584	1,305	321	314
Liabilities							
Deposits and other borrowings	8,372	8,372	-	-	-	-	-
Derivative financial instruments	1,021	-	-	-	-	-	1,021
Payables and other liabilities	40	-	-	-	-	-	40
Total financial liabilities	9,433	8,372	-	-	-	-	1,061
Hedging instruments	-	3,811	(573)	(1,656)	(1,261)	(321)	-
Interest sensitivity gap	291	809	257	(72)	44	-	(747)

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.

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Net open position				
Australian dollar	**1**	32	**(2)**	-
Euro	**37**	1	**-**	-
Japanese yen	**9**	(1)	**-**	-
US dollar	**(14)**	(1)	**-**	-
Swiss franc	**(37)**	-	**-**	-
Other	**1**	1	**-**	-
Total net open position	**(3)**	32	**(2)**	-

Notes to the Financial Statements

Liquidity risk

Liquidity risk is the risk that ANZ New Zealand 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 ANZ New Zealand.

ANZ New Zealand'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 ANZ New Zealand's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses.

Central to ANZ New Zealand's liquidity risk management approach is the establishment of a liquidity risk appetite framework to which ANZ New Zealand must conform at all times. The risk appetite for liquidity has been set as low, and this objective is achieved by ANZ New Zealand 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 ANZ New Zealand specific and general market liquidity stress scenarios.
- Maintaining strength in ANZ New Zealand's balance sheet structure to ensure long term resilience in ANZ New Zealand'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 ANZ New Zealand'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 ANZ New Zealand'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. ANZ New Zealand must be able to meet all commitments and obligations under a going concern scenario, within ANZ New Zealand's normal funding capacity ('available to fund' limit), over at least the following 30 calendar days. In estimating the funding requirement, ANZ New Zealand 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 ANZ New Zealand, or adverse rating changes. Under this scenario ANZ New Zealand may have significant difficulty rolling over or replacing funding. Under the liquidity policy ANZ New Zealand 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. ANZ New Zealand has linked its liquidity risk appetite to defined liquidity "survival horizons" (i.e. the time period under which ANZ New Zealand 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 ANZ New Zealand was in compliance with all of the above scenarios.

Wholesale funding

ANZ New Zealand'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.

ANZ New Zealand also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that ANZ New Zealand 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

ANZ New Zealand 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 ANZ New Zealand's three year strategic planning cycle.

Funding Composition

ANZ New Zealand actively uses balance sheet disciplines to prudently manage the funding mix. ANZ New Zealand 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	**ANZ New Zealand**		**NZ Branch**	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Customer deposits[1]				
New Zealand	**67,759**	62,309	-	-
Overseas	**8,596**	8,258	-	-
Total customer deposits	**76,355**	70,567	-	-
Wholesale funding				
Bonds and notes	**17,042**	16,407	-	-
Subordinated debt	**1,442**	1,442	-	-
Certificates of deposit	**1,376**	2,364	-	-
Commercial paper	**6,057**	4,765	-	-
Other borrowings	**10,739**	10,317	**8,747**	8,372
Total wholesale funding	**36,656**	35,295	**8,747**	8,372
Total funding	**113,011**	105,862	**8,747**	8,372
Concentrations of funding by industry				
Agriculture	**2,996**	2,312	-	-
Forestry, fishing and mining	**544**	613	-	-
Business and property services	**5,576**	5,148	-	-
Construction	**1,044**	882	-	-
Entertainment, leisure and tourism	**922**	737	-	-
Finance and insurance	**46,133**	45,211	**8,747**	8,372
Government and local authority	**2,434**	2,166	-	-
Manufacturing	**1,458**	1,416	-	-
Households	**47,600**	43,286	-	-
Retail trade	**994**	954	-	-
Transport and storage	**772**	636	-	-
Wholesale trade	**1,029**	1,086	-	-
Other[2]	**1,509**	1,415	-	-
Total funding	**113,011**	105,862	**8,747**	8,372
Concentrations of funding by geography[3]				
New Zealand	**72,964**	68,248	-	-
Australia	**12,041**	12,478	**8,657**	8,287
United States	**11,518**	9,822	-	-
Europe	**10,464**	9,508	-	-
Other countries	**6,024**	5,806	**90**	85
Total funding	**113,011**	105,862	**8,747**	8,372

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 ANZ New Zealand 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

ANZ New Zealand holds a diversified portfolio of cash and high-quality highly-liquid securities to support liquidity risk management. The size of ANZ New Zealand's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity scenario metrics.

Total liquidity portfolio	**ANZ New Zealand**		**NZ Branch**	
$ millions	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Balances with central banks	**1,309**	1,709	-	-
Securities purchased under agreement to resell	-	41	-	-
Certificates of deposit	**159**	159	-	-
Government, local body stock and bonds	**6,318**	5,522	-	-
Government treasury bills	**380**	387	-	-
Other bonds	**5,135**	5,069	-	-
Total liquidity portfolio	**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 ANZ New Zealand 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 ANZ New Zealand 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

ANZ New Zealand 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 ANZ New Zealand's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which the NZ Branch or ANZ New Zealand 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 ANZ New Zealand or the NZ Branch 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.

ANZ New Zealand does not manage its liquidity risk on this basis.

30/09/2014			ANZ New Zealand				
$ 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	2,250	1,513	737	-	-	-	-
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)	10,727	-	10,727	-	-	-	-
Available-for-sale assets	826	-	163	279	382	-	2
Net loans and advances	151,304	350	15,922	16,622	49,452	68,958	-
Other financial assets	301	-	259	42	-	-	-
Total financial assets	180,371	2,377	29,750	19,434	58,006	70,802	2
Financial liabilities							
Settlement balances payable	1,992	999	993	-	-	-	-
Collateral received	800	-	800	-	-	-	-
Deposits and other borrowings	96,802	40,271	21,076	24,473	10,982	-	-
Derivative financial liabilities (trading)	9,355	-	9,355	-	-	-	-
Bonds and notes	17,935	-	1,014	3,184	13,116	621	-
Subordinated debt	2,202	-	18	54	304	384	1,442
Other financial liabilities	448	-	215	17	61	155	-
Total financial liabilities	129,534	41,270	33,471	27,728	24,463	1,160	1,442
Derivative financial instruments used for balance sheet management							
- gross inflows	24,463	-	3,205	4,418	15,956	884	-
- gross outflows	(25,365)	-	(3,261)	(4,591)	(16,613)	(900)	-
Net financial assets / (liabilities) after balance sheet management	49,935	(38,893)	(3,777)	(8,467)	32,886	69,626	(1,440)

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	27,930	27,930	-
Contingent liabilities	2,436	2,436	-
Total	30,849	30,468	381

Notes to the Financial Statements

30/09/2013 $ millions	ANZ New Zealand						
	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	2,347	1,896	451	-	-	-	-
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	138,765	350	15,743	18,385	41,940	62,347	-
Other financial assets	290	-	221	66	3	-	-
Total financial assets	163,969	2,597	26,828	20,339	50,696	63,507	2
Financial liabilities							
Settlement balances payable	1,114	879	235	-	-	-	-
Collateral received	438	-	438	-	-	-	-
Deposits and other borrowings	90,006	34,793	22,712	23,159	9,332	10	-
Derivative financial liabilities (trading)	9,526	-	9,526	-	-	-	-
Bonds and notes	17,359	-	2,531	1,979	11,359	1,490	-
Subordinated debt	1,885	-	15	48	317	63	1,442
Other financial liabilities	352	-	172	4	31	145	-
Total financial liabilities	120,680	35,672	35,629	25,190	21,039	1,708	1,442
Derivative financial instruments used for balance sheet management							
- gross inflows	23,054	-	2,356	4,459	14,975	1,264	-
- gross outflows	(23,409)	-	(2,379)	(4,458)	(15,323)	(1,249)	-
Net financial assets / (liabilities) after balance sheet management	42,934	(33,075)	(8,824)	(4,850)	29,309	61,814	(1,440)

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	25,067	25,067	-
Contingent liabilities	2,201	2,201	-
Total	27,697	27,365	332

Notes to the Financial Statements

30/09/2014 $ millions	NZ Branch 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	429	-	429	-	-	-	-
Settlement balances receivable	304	-	304	-	-	-	-
Net loans and advances	15,597	-	298	723	3,738	10,838	-
Total financial assets	16,330	-	1,031	723	3,738	10,838	-
Financial liabilities							
Deposits and other borrowings	9,414	-	953	1,737	6,724	-	-
Other financial liabilities	42	-	42	-	-	-	-
Total financial liabilities	9,456	-	995	1,737	6,724	-	-
Derivative financial instruments used for balance sheet management							
- gross inflows	9,922	-	1,448	1,793	6,681	-	-
- gross outflows	(10,801)	-	(1,570)	(2,009)	(7,222)	-	-
Net financial assets / (liabilities) after balance sheet management	5,995	-	(86)	(1,230)	(3,527)	10,838	-

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Credit related commitments	33	33	-
Total	33	33	-

30/09/2013 $ millions	NZ Branch 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	141	-	141	-	-	-	-
Settlement balances receivable	314	-	314	-	-	-	-
Net loans and advances	15,282	-	220	701	3,670	10,691	-
Other financial assets	1	-	1	-	-	-	-
Total financial assets	15,738	-	676	701	3,670	10,691	-
Financial liabilities							
Deposits and other borrowings	9,004	-	999	1,531	6,474	-	-
Other financial liabilities	40	-	40	-	-	-	-
Total financial liabilities	9,044	-	1,039	1,531	6,474	-	-
Derivative financial instruments used for balance sheet management							
- gross inflows	9,062	-	1,174	1,520	6,368	-	-
- gross outflows	(10,091)	-	(1,282)	(1,691)	(7,118)	-	-
Net financial assets / (liabilities) after balance sheet management	5,665	-	(471)	(1,001)	(3,554)	10,691	-

Contractual maturity of off-balance sheet commitments and contingent liabilities

	Total	Less than 1 year	Beyond 1 year
Credit related commitments	54	54	-
Total	54	54	-

Notes to the Financial Statements

28. Financial Assets Pledged as Collateral and Offsetting Financial Instruments

$ millions	Note	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Cash collateral given on derivative financial instruments		**783**	1,002	**-**	-
Trading securities encumbered through repurchase agreements		**47**	108	**-**	-
Residential mortgages pledged as security for covered bonds	21, 34	**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	**-**	-

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 ANZ New Zealand has enforceable master netting agreements in place with counterparties.

ANZ New Zealand						
				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**	**-**	**(206)**	**78**
Trading securities [2]	**47**	**-**	**47**	**(47)**	**-**	**-**
Derivative financial instruments	**8,448**	**-**	**8,448**	**(7,572)**	**(716)**	**160**
Financial liabilities						
Collateral received	**753**	**-**	**753**	**-**	**(716)**	**37**
Securities sold under agreements to repurchase [3]	**47**	**-**	**47**	**(47)**	**-**	**-**
Derivative financial instruments	**7,848**	**-**	**7,848**	**(7,572)**	**(206)**	**70**
30/09/2013						
Financial assets						
Collateral paid	145	-	145	-	(94)	51
Trading securities [2]	108	-	108	(107)	-	1
Derivative financial instruments	6,056	-	6,056	(5,891)	(123)	42
Financial liabilities						
Collateral received	136	-	136	-	(123)	13
Securities sold under agreements to repurchase [3]	107	-	107	(107)	-	-
Derivative financial instruments	6,144	-	6,144	(5,891)	(94)	159

There are no financial assets or financial liabilities subject to enforceable master netting agreements in the NZ Branch.

[1] ANZ New Zealand enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. ANZ New Zealand 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.

29. Concentrations of Credit Risk to Individual Counterparties

ANZ New Zealand 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.

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 ANZ New Zealand's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Overseas Banking Group's equity (as at the end of the period).

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

Notes to the Financial Statements

30. Classification of Financial Instruments and Fair Value Measurements

	ANZ New Zealand						
	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	**2,248**	-	-	-	-	**2,248**	**2,248**
Settlement balances receivable	**855**	-	-	-	-	**855**	**855**
Collateral paid	**783**	-	-	-	-	**783**	**783**
Trading securities	-	-	**11,750**	-	-	**11,750**	**11,750**
Derivative financial instruments[1]	-	-	**11,083**	**338**	-	**11,421**	**11,421**
Available-for-sale assets	-	-	-	-	**772**	**772**	**772**
Net loans and advances[2]	**105,485**	-	-	-	-	**105,485**	**105,600**
Other financial assets	**539**	**190**	-	-	-	**729**	**729**
Total financial assets	**109,910**	**190**	**22,833**	**338**	**772**	**134,043**	**134,158**
Settlement balances payable	**1,992**	-	-	-	-	**1,992**	**1,992**
Collateral received	**800**	-	-	-	-	**800**	**800**
Deposits and other borrowings	**88,470**	**6,057**	-	-	-	**94,527**	**94,550**
Derivative financial instruments[1]	-	-	**10,768**	**193**	-	**10,961**	**10,961**
Bonds and notes[2]	**17,042**	-	-	-	-	**17,042**	**17,225**
Subordinated debt	**1,442**	-	-	-	-	**1,442**	**1,443**
Other financial liabilities	**658**	-	**226**	-	-	**884**	**884**
Total financial liabilities	**110,404**	**6,057**	**10,994**	**193**	-	**127,648**	**127,855**
30/09/2013							
Cash	2,347	-	-	-	-	2,347	2,347
Settlement balances receivable	515	-	-	-	-	515	515
Collateral paid	1,002	-	-	-	-	1,002	1,002
Trading securities	-	-	10,320	-	-	10,320	10,320
Derivative financial instruments[1]	-	-	9,230	278	-	9,508	9,508
Available-for-sale assets	-	-	-	-	942	942	942
Net loans and advances[2]	100,113	-	-	-	-	100,113	100,209
Other financial assets	487	172	-	-	-	659	659
Total financial assets	104,464	172	19,550	278	942	125,406	125,502
Settlement balances payable	1,114	-	-	-	-	1,114	1,114
Collateral received	438	-	-	-	-	438	438
Deposits and other borrowings	83,248	4,765	-	-	-	88,013	88,198
Derivative financial instruments[1]	-	-	11,033	175	-	11,208	11,208
Bonds and notes[2]	16,407	-	-	-	-	16,407	16,627
Subordinated debt	1,442	-	-	-	-	1,442	1,342
Other financial liabilities	622	-	142	-	-	764	764
Total financial liabilities	103,271	4,765	11,175	175	-	119,386	119,691

Notes to the Financial Statements

NZ Branch							
$ 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	**426**	**-**	**-**	**-**	**-**	**426**	**426**
Settlement balances receivable	**304**	**-**	**-**	**-**	**-**	**304**	**304**
Derivative financial instruments[1]	**-**	**-**	**56**	**6**	**-**	**62**	**62**
Net loans and advances[2]	**9,176**	**-**	**-**	**-**	**-**	**9,176**	**9,185**
Other financial assets	**2**	**-**	**-**	**-**	**-**	**2**	**2**
Total financial assets	**9,908**	**-**	**56**	**6**	**-**	**9,970**	**9,979**
Deposits and other borrowings	**8,747**	**-**	**-**	**-**	**-**	**8,747**	**8,862**
Derivative financial instruments[1]	**-**	**-**	**783**	**19**	**-**	**802**	**802**
Other financial liabilities	**42**	**-**	**-**	**-**	**-**	**42**	**42**
Total financial liabilities	**8,789**	**-**	**783**	**19**	**-**	**9,591**	**9,706**
30/09/2013							
Cash	141	-	-	-	-	141	141
Settlement balances receivable	314	-	-	-	-	314	314
Derivative financial instruments[1]	-	-	8	4	-	12	12
Net loans and advances[2]	9,256	-	-	-	-	9,256	9,273
Other financial assets	1	-	-	-	-	1	1
Total financial assets	9,712	-	8	4	-	9,724	9,741
Deposits and other borrowings	8,372	-	-	-	-	8,372	8,500
Derivative financial instruments[1]	-	-	998	23	-	1,021	1,021
Other financial liabilities	40	-	-	-	-	40	40
Total financial liabilities	8,412	-	998	23	-	9,433	9,561

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

ANZ New Zealand 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 ANZ New Zealand holds offsetting risk positions, ANZ New Zealand 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.
- ANZ New Zealand 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

	ANZ New Zealand				NZ Branch			
$ 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**	**-**	**-**	**-**	**-**
Derivative financial instruments	**2**	**11,419**	**-**	**11,421**	**-**	**62**	**-**	**62**
Available-for-sale assets	**712**	**58**	**2**	**772**	**-**	**-**	**-**	**-**
Other financial assets	**129**	**61**	**-**	**190**	**-**	**-**	**-**	**-**
Total	**12,502**	**11,629**	**2**	**24,133**	**-**	**62**	**-**	**62**
Financial liabilities								
Deposits and other borrowings	**-**	**6,057**	**-**	**6,057**	**-**	**-**	**-**	**-**
Derivative financial instruments	**4**	**10,957**	**-**	**10,961**	**-**	**802**	**-**	**802**
Other financial liabilities	**226**	**-**	**-**	**226**	**-**	**-**	**-**	**-**
Total	**230**	**17,014**	**-**	**17,244**	**-**	**802**	**-**	**802**
30/09/2013								
Financial assets								
Trading securities	10,208	112	-	10,320	-	-	-	-
Derivative financial instruments	2	9,506	-	9,508	-	12	-	12
Available-for-sale assets	940	-	2	942	-	-	-	-
Other financial assets	140	32	-	172	-	-	-	-
Total	11,290	9,650	2	20,942	-	12	-	12
Financial liabilities								
Deposits and other borrowings	-	4,765	-	4,765	-	-	-	-
Derivative financial instruments	6	11,202	-	11,208	-	1,021	-	1,021
Other financial liabilities	142	-	-	142	-	-	-	-
Total	148	15,967	-	16,115	-	1,021	-	1,021

Valuation hierarchy for financial assets and financial liabilities not measured at fair value[1]

	ANZ New Zealand				NZ Branch			
$ millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
30/09/2014								
Financial assets								
Net loans and advances	**-**	**101,696**	**3,904**	**105,600**	**-**	**9,185**	**-**	**9,185**
Financial liabilities								
Deposits and other borrowings	**-**	**88,493**	**-**	**88,493**	**-**	**8,862**	**-**	**8,862**
Bonds and notes	**-**	**17,225**	**-**	**17,225**	**-**	**-**	**-**	**-**
Subordinated debt	**828**	**615**	**-**	**1,443**	**-**	**-**	**-**	**-**
Total	**828**	**106,333**	**-**	**107,161**	**-**	**8,862**	**-**	**8,862**

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	ANZ New Zealand Year to 30/09/2014	ANZ New Zealand Year to 30/09/2013	NZ Branch Year to 30/09/2014	NZ Branch Year to 30/09/2013
Reconciliation of profit after income tax to net cash flows provided by operating activities				
Profit after income tax	**1,711**	1,369	**61**	50
Non-cash items:				
Depreciation and amortisation	**85**	98	**-**	-
Provision for credit impairment	**(9)**	66	**7**	3
Deferred fee revenue and expenses	**(4)**	4	**-**	-
Amortisation of capitalised brokerage / mortgage origination fees	**75**	51	**9**	8
Amortisation of premiums and discounts	**152**	186	**(16)**	-
Fair value gains and losses	**(225)**	(108)	**3**	12
Loss on disposal and impairment of premises and equipment and intangibles	**16**	6	**-**	-
Deferrals or accruals of past or future operating cash receipts or payments:				
Change in net operating assets less liabilities	**(294)**	1,010	**196**	45
Change in interest receivable	**(53)**	(12)	**(1)**	(1)
Change in interest payable	**20**	(102)	**(1)**	(15)
Change in accrued expenses	**(25)**	(5)	**21**	-
Change in provisions	**(25)**	(110)	**-**	-
Change in insurance policy assets	**(67)**	2	**-**	-
Change in other receivables and payables	**7**	(27)	**-**	-
Change in net income tax assets / liabilities	**172**	106	**6**	1
Dividends from associates in excess of share of profits	**1**	-	**-**	-
Items classified as investing / financing:				
Gain on disposal of subsidiaries (excluding disposal costs)	**-**	(31)	**-**	-
Net cash flows provided by operating activities	**1,537**	2,503	**285**	103

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Reconciliation of cash and cash equivalents to the balance sheet				
Cash	**2,248**	2,347	**426**	141
Amounts included in settlement balances receivable / (payable):				
Nostro accounts	**38**	22	**-**	-
Overdrawn nostro accounts	**(30)**	(24)	**-**	-
Total cash and cash equivalents	**2,256**	2,345	**426**	141

32. Commitments

$ millions	ANZ New Zealand 30/09/2014	ANZ New Zealand 30/09/2013	NZ Branch 30/09/2014	NZ Branch 30/09/2013
Contracts for outstanding capital expenditure				
Not later than 1 year	**15**	24	**-**	-
Future minimum lease payments under non-cancellable operating leases				
Not later than 1 year	**87**	73	**-**	-
Later than 1 year but not later than 5 years	**203**	167	**-**	-
Later than 5 years	**178**	165	**-**	-
Total operating lease commitments	**468**	405	**-**	-
Total commitments	**483**	429	**-**	-

Notes to the Financial Statements

33. Credit Related Commitments, Guarantees and Contingent Liabilities

$ millions	ANZ New Zealand Face or contract value 30/09/2014	ANZ New Zealand Face or contract value 30/09/2013	NZ Branch Face or contract value 30/09/2014	NZ Branch Face or contract value 30/09/2013
Credit related commitments				
Commitments with certain drawdown due within one year	**764**	817	**-**	-
Commitments to provide financial services	**27,166**	24,250	**33**	54
Total credit related commitments	**27,930**	25,067	**33**	54
Guarantees and contingent liabilities				
Financial guarantees	**925**	997	**-**	-
Standby letters of credit	**79**	32	**-**	-
Transaction related contingent items	**1,321**	1,059	**-**	-
Trade related contingent liabilities	**111**	113	**-**	-
Total guarantees and contingent liabilities	**2,436**	2,201	**-**	-

ANZ New Zealand 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.

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

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

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

Notes to the Financial Statements

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

Structured entities

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

Consolidated structured entities

Kingfisher NZ Trust 2008-1 (the Kingfisher Trust)

ANZ New Zealand 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 ANZ New Zealand 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.

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

Unconsolidated securitisations

ANZ New Zealand also has an interest in unconsolidated securitisation entities through the provision of funding facilities or holding bonds or notes issued by such entities. ANZ New Zealand'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 2014, $15,270 million of assets were held in the Kingfisher Trust and the Covered Bond Trust (30/09/2013 $11,687 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.

The following table sets out the carrying values assets transferred by the NZ Branch and ANZ New Zealand to other entities and the associated liabilities to deliver the cashflows on those instruments.

		ANZ New Zealand		NZ Branch	
$ millions	**Note**	**30/09/2014**	30/09/2013	**30/09/2014**	30/09/2013
Repurchase agreements					
Carrying amount of assets transferred	**28**	**47**	108	**-**	-
Carrying amount of associated liabilities	**28**	**47**	107	**-**	-

Notes to the Financial Statements

Funds management and other fiduciary activities

Funds management

Certain entities that form part of ANZ New Zealand act as trustee and/or manager for a number of unit trusts and investment and superannuation funds. ANZ New Zealand provides private banking services to a number of clients, including investment advice and portfolio management. ANZ New Zealand 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 ANZ New Zealand, they are not included in these financial statements. ANZ New Zealand 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. ANZ New Zealand 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 ANZ New Zealand and are recorded as liabilities in the balance sheet. At 30 September 2014, $2,928 million of funds under management were invested in ANZ New Zealand's own products or securities (30/09/2013 $3,054 million).

Custodial services

ANZ New Zealand provides custodial services to customers in respect of assets that are beneficially owned by those customers.

Funds managed and held in custody by ANZ New Zealand	ANZ New Zealand	
$ 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 ANZ New Zealand established, and is considered to be the sponsor of, the ANZ PIE Fund. The ANZ PIE Fund invests only in deposits with the Bank. ANZ New Zealand 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.

Insurance business

ANZ New Zealand 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 ANZ New Zealand 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 0.6% (30/09/2013 0.6%) of the total consolidated assets of ANZ New Zealand.

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 entities that form part of ANZ New Zealand 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 ANZ New Zealand. 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. Additional Disclosures

NZ Branch Funding

$ millions	30/09/2014
Total liabilities of the NZ Branch less amounts due to related parties	28

Overseas Banking Group Profitability and Size

AUD millions	30/09/2014
Profit for the year ended 30/09/2014[1]	7,271
Net profit after tax for the year to 30/09/2014 as a percentage of average total assets	0.97%
Total assets	772,092
Percentage change in total assets in the year to 30/09/2014	9.83%

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

Overseas Banking Group asset quality

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

Notes to the Financial Statements

36. 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.

ANZ New Zealand	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	1,711	(1,711)	-	1,760	(1,760)	-
Cash	-	2,347	2,347	-	2,818	2,818
Settlement balances receivable	-	515	515	-	228	228
Collateral paid	-	1,002	1,002	-	1,256	1,256
Available-for-sale assets	782	160	942	57	100	157
Net loans and advances	99,765	348	100,113	96,094	237	96,331
Other assets	735	(165)	570	596	(48)	548
Deferred tax assets	36	6	42	92	8	100
All other assets	24,322	-	24,322	29,545	-	29,545
Total assets	129,847	6	129,853	130,975	8	130,983
Liabilities						
Due to other financial institutions	9,871	(9,871)	-	11,012	(11,012)	-
Settlement balances payable	-	1,114	1,114	-	1,223	1,223
Collateral received	-	438	438	-	257	257
Deposits and other borrowings	77,696	10,317	88,013	73,652	11,487	85,139
Due to immediate parent company	1,766	(1,766)	-	1,766	(1,766)	-
Payables and other liabilities	1,473	(213)	1,260	1,588	(160)	1,428
All other liabilities	29,286	-	29,286	33,780	-	33,780
Total liabilities	120,092	19	120,111	121,798	29	121,827
Equity	9,755	(13)	9,742	9,177	(21)	9,156
Cash and cash equivalents in cash flow statement	3,002	(657)	2,345	3,293	(526)	2,767

Notes to the Financial Statements

NZ Branch	30/09/2013			1/10/2012		
$ millions	Previously reported	Change	Currently reported	Previously reported	Change	Currently reported
Assets						
Due from other financial institutions	141	(141)	-	38	(38)	-
Cash	-	141	141	-	38	38
Settlement balances receivable	-	314	314	-	304	304
Due from the Bank	314	(314)	-	304	(304)	-
All other assets	9,275	-	9,275	9,456	-	9,456
Total assets	9,730	-	9,730	9,798	-	9,798
Liabilities						
Due to other financial institutions	8,372	(8,372)	-	9,273	(9,273)	-
Deposits and other borrowings	-	8,372	8,372	-	9,273	9,273
All other liabilities	1,081	-	1,081	298	-	298
Total liabilities	9,453	-	9,453	9,571	-	9,571
Equity	277	-	277	227	-	227
Cash and cash equivalents in cash flow statement	141	-	141	38	-	38

Directorate and Auditors

Any document or communication may be sent to any Director or the Chief Executive Officer – NZ Branch at the Registered Office. The document or communication should be marked for the attention of that Director or the Chief Executive Officer.

Directors' Interests

The Board of the Ultimate Parent Bank has adopted procedures to ensure that conflicts and potential conflicts of interest between a Director's duties to the Ultimate Parent Bank and their own interests are avoided or dealt with. Pursuant to these procedures:

a. each Director should disclose to all Directors any material personal interest they have in any matter which relates to the affairs of the Ultimate Parent Bank and any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest. This disclosure should be made as soon as practicable after the Director becomes aware of their interest or the need to make a disclosure; and

b. a Director who has an interest of the type referred to in a. above in a matter that is to be considered at a Directors' meeting, must not vote on the matter nor be present while the matter is considered at the meeting, unless a majority of Directors who do not have such an interest in the matter agree that the interest should not disqualify such Director from being present while the matter is being considered and from voting on the matter. The minutes of the meeting should record the decision taken by the Directors who do not have an interest in the matter.

In addition, Standing Notices about Interests are maintained for each Director. If the Director's interests change, the Director shall disclose the change as soon as practicable and an updated Standing Notice shall be tabled at the next Board meeting and recorded in the minutes of that meeting.

Transactions with Directors and the Chief Executive Officer, NZ Branch

There are no transactions entered into by any Director, the Chief Executive Officer – NZ Branch, or any immediate relative or close business associate of any Director or the Chief Executive Officer – NZ Branch, with any part of ANZ New Zealand 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 Directors' or Chief Executive Officer – NZ Branch duties in respect of the NZ Branch and ANZ New Zealand.

Board Members as at 3 December 2014

The names, qualifications, occupation, country of residence and material external directorships of each director of the Ultimate Parent Bank as at the date this Disclosure Statement was signed were:

Chairman

David Michael Gonski, AC
BCom, LLB, FAICD(LIFE), FCPA
Company Director
Sydney, Australia

Mr Gonski is an ex-officio member of all Board Committees, including Chair of the Governance Committee.

Chairman: Coca-Cola Amatil Limited, The University of New South Wales Foundation Limited, and Sydney Theatre Company Ltd
Director/Member: Singapore Telecommunications Limited, Australian Philanthropic Services Limited, ASIC External Advisory Panel and Lowy Institute for International Policy
Chancellor: University of New South Wales

Chief Executive Officer – Australia and New Zealand Banking Group Limited

Michael Roger Pearson Smith, OBE

BSc (Hons) (City Lond), Hon LLD (Monash)
Chief Executive Officer and Executive Director
Melbourne, Australia

External Directorships
Executive Chairman: Chongqing Mayor's International Economic Advisory Council
Director: the Financial Markets Foundation for Children, Financial Literacy Australia Limited, the International Monetary Conference and the Institute of International Finance
Member: Australian Bankers' Association Incorporated, Asia Business Council, Australian Government Financial Literacy Advisory Board, Shanghai International Financial Advisory Council, and the Business Council of Australia
Fellow: The Hong Kong Management Association

Non-Executive Directors

Ilana Rachel Atlas

BJuris (Hons), LLB (Hons), LLM
Company Director
Sydney, Australia

External Directorships
Chairman: The Bell Shakespeare Company Limited
Director: Oakridge Wines Pty Limited, Coca-Cola Amatil Limited, Human Rights Law Centre Ltd, Treasury Corporation of New South Wales, Jawun, Westfield Corporation Limited

Directorate and Auditors

Paula Jane Dwyer

BCom, FCA, SF Fin, FAICD
Company Director
Melbourne, Australia

Ms Dwyer is Chair of the Audit Committee and a member of the Risk Committee and Human Resources Committee.

External Directorships
Chairman: Healthscope Limited, Tabcorp Holdings Limited
Director: Lion Pty Ltd
Member: Kirin International Advisory Board, and ASIC External Advisory Panel

Lee Hsien Yang

MSc, BA
Company Director
Singapore

Mr Lee is Chair of the Technology Committee and a member of the Risk Committee and Human Resources Committee.

External Directorships
Chairman: Civil Aviation Authority of Singapore, The Islamic Bank of Asia Limited, and General Atlantic Singapore Fund Pte Ltd
Director: Rolls-Royce Holdings plc, General Atlantic Singapore Fund FII Pte Ltd, Singapore Exchange Limited, Caldecott Inc., and Cluny Lodge Pte Ltd
Member: Governing Board of Lee Kuan Yew School of Public Policy
Special Advisor: General Atlantic
Consultant: Capital International Inc Advisory Board
President: INSEAD South East Asia Council

Graeme Richard Liebelt

BEc (Hons), FAICD, FTSE, FAIM
Company Director
Melbourne, Australia

Mr Liebelt is Chair of the Human Resources Committee, and a member of the Risk Committee, Governance Committee and Technology Committee

External Directorships
Chairman: Amcor Limited and The Global Foundation
Deputy Chairman: Melbourne Business School
Director: The Australian Foundation Investment Company Limited, and Carey Baptist Grammar School

Ian John Macfarlane, AC

BEc (Hons), MEc, Hon DSc (Syd), Hon DSc (UNSW), Hon DCom (Melb), Hon DLitt (Macq), Hon LLD (Monash)
Company Director
Sydney, Australia

Mr Macfarlane is Chair of the Risk Committee and a member of the Governance Committee and Audit Committee.

External Directorships
Director: Woolworths Limited and the Lowy Institute for International Policy
Member: Council of International Advisors to the China Banking Regulatory Commission, International Advisory Board of Goldman Sachs, and International Advisory Board of CHAMP Private Equity

John Thomas Macfarlane

BCom, MCom (Hons)
Company Director
Melbourne, Australia

Mr Macfarlane is a member of the Audit Committee, Risk Committee and Technology Committee.

External Directorships
Chairman: AGInvest Holdings Limited (MyFarm Limited)
Director: Craigs Investment Partners Limited, Colmac Group Pty Ltd and St. Vincent's Institute of Medical Research

Chief Executive Officer, Australia and New Zealand Banking Group – New Zealand Branch

Anthony John Bradshaw

BCA, CA
Chief Executive Officer– NZ Branch
Wellington, New Zealand

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 30 March 2014.

The registration of Australia and New Zealand Banking Group Limited (the registered bank) in New Zealand is subject to the following conditions:

1. 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.

2. 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 predominately 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.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made 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.

5. That Australia and New Zealand Banking Group Limited complies with the requirements imposed on it by the Australian Prudential Regulation Authority.

6. That Australia and New Zealand Banking Group Limited complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:

   a) Common Equity Tier 1 capital of the Australia and New Zealand Banking Group Limited is not less than 4.5 percent of risk weighted exposures;

   b) Tier 1 capital of the Australia and New Zealand Banking Group Limited is not less than 6 percent of risk weighted exposures;

   c) Total capital of Australia and New Zealand Banking Group Limited is not less than 8 percent of risk weighted exposures.

7. That the business of the registered bank in New Zealand is restricted to:

   a) acquiring for fair value, and holding, mortgages originated by ANZ Bank New Zealand Limited; and

   b) any other business for which the prior written approval of the Reserve Bank of New Zealand has been obtained; and

   c) activities that are necessarily incidental to the business specified in paragraphs (a) and (b).

8. That the value of the mortgages held by the registered bank in New Zealand must not exceed $15 billion in aggregate.

9. That the registered bank in New Zealand does not incur any liabilities except:

   a) to the government of New Zealand in respect of taxation and other charges;

   b) to other branches or the head office of the registered bank;

   c) to trade creditors and staff;

   d) to ANZ Bank New Zealand Bank Limited in respect of activities, other than borrowing, that are necessarily incidental to the business specified in paragraphs (a) and (b) of condition 7; and

   e) any other liabilities for which the prior written approval of the Reserve Bank has been obtained.

In these conditions of registration:-

“banking group”-

a) means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group’s New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013 (unless paragraph (b) applies); or

Conditions of Registration

b) if the Financial Reporting Act 1993 applies to the registered bank, means the means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 9(2) of the Financial Reporting Act 1993:

“business of the registered bank in New Zealand” -

a) means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(2) of the Financial Markets Conduct Act 2013 (unless paragraph (b) applies); or

b) if the Financial Reporting Act 1993 applies to the registered bank, means the New Zealand business of the registered bank as required to be reported in the financial statements under section 8(2) of the Financial Reporting Act 1993:

“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 registered bank is required to prepare financial statements in accordance with that practice.

Directors' and New Zealand Chief Executive Officer's Statement

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

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

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

Over the year ended 30 September 2014, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

(i) The Ultimate Parent Bank has complied with all Conditions of Registration that applied during that period;

(ii) The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZ New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 3 December 2014, and has been signed by the Chairman of the Ultimate Parent Bank, on behalf of all Directors, and by the Chief Executive Officer – NZ Branch.

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

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

Anthony Bradshaw
Chief Executive Officer – NZ Branch

KPMG

Independent Auditor's Report

To the Directors of Australia and New Zealand Banking Group Limited

Report on the NZ Branch and ANZ New Zealand Disclosure Statement

We have audited the accompanying financial statements and supplementary information of Australia and New Zealand Banking Group Limited – New Zealand Branch (the NZ Branch) and its related entities (ANZ New Zealand) on pages 5 to 69 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 NZ Branch and ANZ New Zealand. The supplementary information comprises the information that is required to be disclosed under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (the Order).

Directors' Responsibility for the Disclosure Statement

The Directors are responsible for the preparation of the NZ Branch and ANZ New Zealand Disclosure Statement, including financial statements prepared in accordance with Clause 25 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 NZ Branch and ANZ New Zealand 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, 10, 11 and 13 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 25 of the Order and the supplementary information disclosed in accordance with Schedules 4, 7, 10, 11 and 13 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 NZ Branch and ANZ New Zealand financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the NZ Branch and ANZ New Zealand 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 NZ Branch and ANZ New Zealand'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 NZ Branch and ANZ New Zealand'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 NZ Branch and ANZ New Zealand. In addition, certain partners and employees of our firm may also deal with the NZ Branch and ANZ New Zealand on normal terms within the ordinary course of trading activities of the NZ Branch and ANZ New Zealand. These matters have not impaired our independence as auditors of the NZ Branch and ANZ New Zealand. We have no other relationship with, or interest in, the NZ Branch and ANZ New Zealand.

Opinion on the Disclosure Statement

In our opinion the Disclosure Statement of the NZ Branch and ANZ New Zealand on pages 5 to 69 (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.

Opinion on Supplementary Information

In our opinion, the supplementary information that is required to be disclosed in accordance with Schedules 4, 7, 10, 11 and 13 of the Order, and is included within notes 13, 14, 26, 27, 29, 34 and 35 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 NZ Branch and ANZ New Zealand; and

c. fairly states the matters to which it relates in accordance with those Schedules.

Report on Supplementary Information relating to Credit and Market Risk Exposures and Capital Adequacy

We have reviewed the Supplementary Information relating to Credit and Market Risk Exposures and 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 Credit and Market Risk Exposures and Capital Adequacy

The Directors are responsible for the preparation of supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy that is required to be disclosed under Schedule 9 of the Order.

Auditor's Responsibility

Our responsibility is to express an opinion on the supplementary information relating to Credit and Market Risk Exposures and 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 Credit and Market Risk Exposures and Capital Adequacy is, in all material respects:

a. prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and

b. disclosed in accordance with Schedule 9 of the Order.

A review is limited primarily to enquiries of NZ Branch and ANZ New Zealand 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 Credit and Market Risk Exposures and Capital Adequacy disclosures, and accordingly, we do not express an audit opinion on these disclosures.

Opinion on Supplementary Information relating to Credit and Market Risk Exposures and Capital Adequacy

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy prescribed by Schedule 9 of the Order, and disclosed in note 26 of the Disclosure Statement, is not, in all material respects:

a. prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and

b. disclosed in accordance with Schedule 9 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 NZ Branch and ANZ New Zealand, as far as appears from our examination of those records.

KPMG

Wellington
3 December 2014

Index