Australia and New Zealand Banking Group Limited – New Zealand Branch Disclosure Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011 | NUMBER 11 ISSUED NOVEMBER 2011

Disclosure Statement

For the year ended 30 September 2011

Contents

Glossary of Terms

In this Disclosure Statement unless the context otherwise requires:

(a) "Bank" means ANZ National Bank Limited;
(b) "Banking Group" means ANZ National Bank Limited 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 6, 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 (No 3) 2011; 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 NZ Branch is Level 6, 1 Victoria Street, Wellington, New Zealand.

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

Credit Rating Information

As at 29 November 2011 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. On 18 May 2011, Moody's downgraded the Ultimate Parent Bank's debt and deposit ratings from Aa1. This followed a similar action on other major Australian banks. On 20 May 2010 Fitch changed the outlook on the Ultimate Parent Bank from Stable to Positive. During the two years ended 30 September 2011 there were no other changes to the Ultimate Parent Bank's credit ratings or qualifications.

The Ultimate Parent Bank's Credit Ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA	Outlook Stable
Moody's Investors Service	Aa2	Outlook Stable
Fitch Ratings	AA-	Outlook Positive

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**	**BB**
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

There are material legislative restrictions in Australia which subordinate the claims of a class of unsecured creditors of the NZ Branch on the assets of the Ultimate Parent Bank to those of another class of unsecured creditors of the Ultimate Parent Bank, in liquidation of the Ultimate Parent Bank.

The Banking Act 1959 of the Commonwealth of Australia (the "Banking Act") gives priority over Australian assets of the Ultimate Parent Bank to deposits/liabilities in Australia if the Ultimate Parent Bank is unable to meet its obligations or suspends payment. Accordingly, deposits/liabilities in New Zealand (together with all other senior unsecured creditors of the Ultimate Parent Bank) will rank after deposits/liabilities in Australia of the Ultimate Parent Bank in relation to claims against Australian assets.

Specifically, pursuant to section 13A(3) of the Banking Act, if an Authorised Deposit-Taking Institution (defined in that Act to include a Bank like the Ultimate Parent Bank) (an "ADI") 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:

General Disclosures

(a) first, the ADI's liabilities to APRA (if any), because of the rights APRA has against the ADI because APRA has made, or is required to make, payments to depositors under the Financial Claims Scheme (defined below);
(b) second, the ADI's debts to APRA for costs incurred by APRA in administration of the Financial Claims Scheme in respect of the ADI;
(c) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI;
(d) fourth, the ADI's debts (if any) to the Reserve Bank of Australia;
(e) fifth, the ADI's liabilities (if any) under an industry support contract that is certified by APRA; and
(f) sixth, the ADI's other liabilities in the order of their priority (apart from section 13A(3)).

Under section 13A(1) of the Banking Act, in certain circumstances APRA may take control of an ADI's business or appoint an administrator (defined in the Banking Act) 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 have priority in a winding-up of the ADI over all other unsecured debts.

Section 86 of the Reserve Bank Act 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 other than debts due to the Commonwealth of Australia.

Section 13A(3) of the Banking Act affects all of the unsecured deposit liabilities of the NZ Branch, which as at 30 September 2011 amounted to $nil (30/09/2010 $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 (other than goodwill) 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 2011, the Overseas Bank has at all times held assets (other than goodwill and any assets or other amounts prescribed by APRA) in Australia of not less than the value of the Overseas 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.

The requirements of these sections of the Act have the potential to impact on the management of the liquidity of ANZ New Zealand.

Guarantors

As at the date of signing this Disclosure Statement, the Ultimate Parent Bank has guarantees from the Commonwealth of Australia under:

(a) in the case of deposits and certain other accounts up to A$1 million, a scheme (the "Financial Claims Scheme") pursuant to the Financial System Legislation Amendment (Financial Claims Scheme and Other Measures) Act 2008 of the Commonwealth of Australia (the "Financial Claims Scheme Act");
(b) in the case of wholesale funding, by a Deed of Guarantee executed by the Treasurer (and related scheme rules) (the "Wholesale Funding Guarantee"). The Australian Government closed this scheme to new debt securities on 31 March 2010.

As at the date of signing this Disclosure Statement, the NZ Branch has no obligations guaranteed under these schemes.

New Zealand Guarantee Arrangements
The Crown guarantees wholesale funding of participating New Zealand financial institutions under the New Zealand Wholesale Funding Guarantee Facility. The Government closed this scheme to new debt securities on 30 April 2010. The NZ Branch does not have a guarantee under this Scheme.

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.

Summary of Financial Statements

$ millions	ANZ New Zealand				
	Year to 30/09/2011	Year to 30/09/2010	Year to 30/09/2009	Year to 30/09/2008	Year to[1] 30/09/2007
Continuing operations					
Interest income	**6,757**	6,447	7,578	9,858	8,296
Interest expense	**4,157**	3,952	5,181	7,829	6,239
Net interest income	**2,600**	2,495	2,397	2,029	2,057
Other operating income	**809**	745	581	1,126	864
Operating income	**3,409**	3,240	2,978	3,155	2,921
Operating expenses	**1,688**	1,565	1,479	1,445	1,331
Profit before provision for credit impairment and income tax	**1,721**	1,675	1,499	1,710	1,590
Provision for credit impairment	**190**	456	883	302	74
Profit before income tax	**1,531**	1,219	616	1,408	1,516
Income tax expense	**446**	352	422	418	551
Profit after income tax from continuing operations	**1,085**	867	194	990	965
Profit from discontinued operations (net of income tax)	**-**	-	-	-	76
Profit after income tax	**1,085**	867	194	990	1,041
Dividends paid	**(421)**	(492)	(1,000)	(1,169)	(600)

$ millions	ANZ New Zealand				
	As at 30/09/2011	As at 30/09/2010	As at 30/09/2009	As at 30/09/2008	As at[1] 30/09/2007
Total impaired assets	**1,792**	2,047	1,188	327	115
Total assets	**129,083**	127,029	126,314	123,078	107,606
Total liabilities	**120,618**	119,208	118,999	115,951	100,751
Non-controlling interests	**-**	1	-	-	-
Equity	**8,465**	7,821	7,315	7,127	6,855

[1] Truck Leasing Limited has been classified as a discontinued operation for the comparative year ending 30 September 2007.

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

Income Statements

$ millions	Note	ANZ New Zealand Year to 30/09/2011	ANZ New Zealand Year to 30/09/2010	NZ Branch Year to 30/09/2011	NZ Branch Year to 30/09/2010
Interest income	4	**6,757**	6,447	**581**	555
Interest expense	5	**4,157**	3,952	**444**	416
Net interest income		**2,600**	2,495	**137**	139
Net trading gains	4	**228**	39	**-**	-
Funds management and insurance income	4	**265**	218	**-**	-
Other operating income / (loss)	4	**314**	446	**(32)**	42
Share of profit of associates and jointly controlled entities		**2**	42	**-**	-
Operating income		**3,409**	3,240	**105**	181
Operating expenses	5	**1,688**	1,565	**29**	26
Profit before provision for credit impairment and income tax		**1,721**	1,675	**76**	155
Provision for credit impairment	15	**190**	456	**13**	20
Profit before income tax		**1,531**	1,219	**63**	135
Income tax expense	6	**446**	352	**19**	41
Profit after income tax		**1,085**	867	**44**	94

Statements of Comprehensive Income

$ millions	ANZ New Zealand Year to 30/09/2011	ANZ New Zealand Year to 30/09/2010	NZ Branch Year to 30/09/2011	NZ Branch Year to 30/09/2010
Profit after income tax	**1,085**	867	**44**	94
Unrealised gains recognised directly in equity	**72**	142	**-**	-
Realised losses/ (gains) transferred to the income statement	**(38)**	9	**-**	-
Actuarial gain / (loss) on defined benefit schemes	**(64)**	27	**-**	-
Income tax credit / (expense) on items recognised directly in equity	**11**	(48)	**-**	-
Total comprehensive income for the year	**1,066**	997	**44**	94

Statements of Changes in Equity

ANZ New Zealand

$ millions	Ordinary share capital and head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity attributable to owners of the parent entity	Non-controlling interests	Total equity
As at 1 October 2009	6,424	25	23	843	7,315	-	7,315
Profit after income tax attributable to parent	-	-	-	867	867	-	867
Valuation gain recognised in other comprehensive income	-	53	89	-	142	-	142
Losses / (gains) transferred to the income statement	-	(12)	21	-	9	-	9
Actuarial gain on defined benefit schemes	-	-	-	27	27	-	27
Income tax expense on items recognised directly in equity	-	(8)	(31)	(9)	(48)	-	(48)
Total comprehensive income for the year	-	33	79	885	997	-	997
Preference dividend paid	-	-	-	(492)	(492)	-	(492)
Acquired in a business combination	-	-	-	-	-	1	1
As at 30 September 2010	6,424	58	102	1,236	7,820	1	7,821
Profit after income tax attributable to parent	**-**	**-**	**-**	**1,085**	**1,085**	**-**	**1,085**
Valuation gain recognised in other comprehensive income	**-**	**21**	**51**	**-**	**72**	**-**	**72**
Losses / (gains) transferred to the income statement	**-**	**(42)**	**4**	**-**	**(38)**	**-**	**(38)**
Actuarial loss on defined benefit schemes	**-**	**-**	**-**	**(64)**	**(64)**	**-**	**(64)**
Income tax credit / (expense) on items recognised directly in equity	**-**	**9**	**(16)**	**18**	**11**	**-**	**11**
Total comprehensive income for the year	**-**	**(12)**	**39**	**1,039**	**1,066**	**-**	**1,066**
Ordinary dividend paid	**-**	**-**	**-**	**(215)**	**(215)**	**-**	**(215)**
Preference dividend paid	**-**	**-**	**-**	**(206)**	**(206)**	**-**	**(206)**
Movement in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
As at 30 September 2011	**6,424**	**46**	**141**	**1,854**	**8,465**	**-**	**8,465**

NZ Branch

$ millions	Ordinary share capital and head office account	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity attributable to owners of the parent entity	Non-controlling interests	Total equity
As at 1 October 2009	11	-	-	28	39	-	39
Profit after income tax attributable to parent	-	-	-	94	94	-	94
Total comprehensive income for the year	-	-	-	94	94	-	94
As at 30 September 2010	11	-	-	122	133	-	133
Profit after income tax attributable to parent	**-**	**-**	**-**	**44**	**44**	**-**	**44**
Total comprehensive income for the year	**-**	**-**	**-**	**44**	**44**	**-**	**44**
As at 30 September 2011	**11**	**-**	**-**	**166**	**177**	**-**	**177**

Balance Sheets

$ millions	Note	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Assets					
Liquid assets	**8**	**2,455**	2,239	**-**	-
Due from other financial institutions	**9**	**3,633**	3,496	**-**	-
Trading securities	**10**	**9,466**	6,757	**-**	-
Derivative financial instruments	**11**	**14,294**	10,854	**172**	500
Available-for-sale assets	**12**	**411**	2,151	**-**	-
Net loans and advances	**13**	**93,613**	96,015	**9,931**	10,059
Due from related entities		**-**	-	**338**	302
Investments backing insurance policyholder liabilities		**97**	87	**-**	-
Insurance policy assets		**200**	138	**-**	-
Shares in associates and jointly controlled entities	**16**	**100**	144	**-**	-
Current tax assets		**-**	18	**-**	-
Other assets	**17**	**857**	970	**-**	3
Deferred tax assets	**18**	**125**	304	**8**	7
Premises and equipment		**325**	311	**-**	-
Goodwill and other intangible assets	**19**	**3,507**	3,545	**-**	-
Total assets		**129,083**	127,029	**10,449**	10,871
Interest earning and discount bearing assets		**108,126**	108,325	**10,230**	10,340
Liabilities					
Due to other financial institutions	**20**	**12,247**	12,293	**10,011**	10,481
Deposits and other borrowings	**21**	**69,238**	70,295	**-**	-
Due to related parties		**-**	-	**51**	-
Derivative financial instruments	**11**	**14,178**	10,727	**117**	142
Payables and other liabilities	**22**	**2,416**	1,506	**73**	70
Provisions	**23**	**309**	315	**-**	-
Current tax liability		**4**	-	**20**	45
Bonds and notes	**24**	**18,472**	19,899	**-**	-
Term funding	**26**	**1,766**	1,766	**-**	-
Loan capital	**25**	**1,988**	2,407	**-**	-
Total liabilities (excluding head office account)		**120,618**	119,208	**10,272**	10,738
Net assets (excluding head office account)		**8,465**	7,821	**177**	133
Represented by:					
Share capital and head office account	**28**	**6,424**	6,424	**11**	11
Reserves		**187**	160	**-**	-
Retained earnings		**1,854**	1,236	**166**	122
Parent shareholder's equity and head office account		**8,465**	7,820	**177**	133
Non-controlling interests		**-**	1	**-**	-
Total equity & head office account		**8,465**	7,821	**177**	133
Interest and discount bearing liabilities		**98,397**	100,335	**10,011**	10,481

For and on behalf of the Board of Directors:

John Morschel
Chairman
Australia and New Zealand Banking Group Limited
29 November 2011

Michael Smith
Executive Director
Australia and New Zealand Banking Group Limited
29 November 2011

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**	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Cash flows from operating activities					
Interest received		**6,661**	6,217	**590**	565
Dividends received		**2**	2	**-**	-
Net funds management & insurance income		**203**	137	**-**	-
Fees and other income received		**752**	772	**-**	-
Interest paid		**(4,088)**	(3,880)	**(440)**	(390)
Operating expenses paid		**(1,605)**	(1,473)	**(30)**	(25)
Income taxes paid		**(233)**	(579)	**(46)**	(15)
Cash flows from operating profits before changes in operating assets and liabilities		**1,692**	1,196	**74**	135
Net changes in operating assets and liabilities:					
Change in due from other financial institutions - term		**755**	1,967	**-**	-
Change in trading securities		**(2,777)**	(2,613)	**-**	-
Change in derivative financial instruments		**137**	1,083	**274**	29
Change in available-for-sale assets		**1,745**	(444)	**-**	-
Change in insurance investment assets		**(10)**	31	**-**	-
Change in loans and advances		**1,914**	218	**103**	(1,248)
Change in due from related parties		**-**	-	**(36)**	-
Change in due to related entities		**-**	-	**51**	39
Change in other assets		**42**	143	**3**	(3)
Change in due to other financial institutions		**237**	(914)	**(470)**	1,048
Change in deposits and other borrowings		**(1,570)**	(1,910)	**-**	-
Change in payables and other liabilities		**917**	(65)	**1**	-
Net cash flows provided by / (used in) operating activities	**33**	**3,082**	(1,308)	**-**	-
Cash flows from investing activities					
Proceeds from sale of shares in associates and jointly controlled entities		**49**	7	**-**	-
Proceeds from sale of premises and equipment		**-**	1	**-**	-
Proceeds from sale of intangible assets		**20**	-	**-**	-
Purchase of shares in subsidiary entities		**-**	(247)	**-**	-
Purchase of intangible assets		**(54)**	(43)	**-**	-
Purchase of premises and equipment		**(65)**	(80)	**-**	-
Net cash flows used in investing activities		**(50)**	(362)	**-**	-
Cash flows from financing activities					
Proceeds from issue of bonds and notes		**3,992**	5,481	**-**	-
Redemptions of bonds and notes		**(3,687)**	(4,307)	**-**	-
Redemptions of loan capital		**(405)**	(200)	**-**	-
Distributions to non-controlling interests		**(1)**	-	**-**	-
Dividends paid		**(421)**	(492)	**-**	-
Net cash flows provided by / (used in) financing activities		**(522)**	482	**-**	-
Net cash flows provided by / (used in) operating activities		**3,082**	(1,308)	**-**	-
Net cash flows used in investing activities		**(50)**	(362)	**-**	-
Net cash flows provided by / (used in) financing activities		**(522)**	482	**-**	-
Net increase / (decrease) in cash and cash equivalents		**2,510**	(1,188)	**-**	-
Cash and cash equivalents at beginning of the year		**3,578**	4,766	**-**	-
Cash and cash equivalents at end of the year	**33**	**6,088**	3,578	**-**	-

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, associate companies and jointly controlled entities.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate 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.

These financial statements were authorised for issue by the Board of Directors on 29 November 2011.

(ii) Use of estimates and assumptions
Preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Discussion of the critical accounting treatments, which include complex or subjective decisions or assessments, are covered in Note 2. Such estimates may require review in future periods.

(iii) Basis of measurement
The financial statements have been prepared on a going concern basis in accordance with historical cost concepts 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 of any applicable underlying exposure;
- financial instruments held for trading;
- assets treated as available-for-sale; and
- financial instruments designated at fair value through profit and loss.

Insurance policy assets are measured using the Margin on Services basis, and defined benefit obligations are measured using the Projected Unit Credit method.

(iv) Changes in accounting policies and application of new accounting standards
The accounting policies adopted by ANZ New Zealand are consistent with those adopted and disclosed in the prior period.

(v) Rounding
The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

(vi) Comparatives
Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. This includes reclassifying certain investment assets that relate to the insurance business from available-for-sale assets to investments backing insurance policyholder liabilities, to better reflect the purpose the assets are held for.

(vii) Basis of aggregation
The basis of aggregation is an addition of individual financial statements of the entities in ANZ New Zealand. All transactions between entities within ANZ New Zealand have been eliminated.

Subsidiaries
The financial statements aggregate the financial statements of the Branch and all New Zealand subsidiaries where it is determined that there is capacity to control.

Where subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All of the facts of a particular situation are considered when determining whether control exists. Control is usually present when an entity has:
- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

In addition, potential voting rights that are presently exercisable or convertible are taken into account in determining whether control exists.

In relation to special purpose entities control is deemed to exist where:
- in substance, the majority of the residual risks and rewards from their activities accrue to ANZ New Zealand; or

Notes to the Financial Statements

- in substance, ANZ New Zealand controls decision making powers so as to obtain the majority of the risks and rewards from their activities.

Associates and joint ventures
ANZ New Zealand adopts the equity method of accounting for associates and ANZ New Zealand's interest in joint venture entities.

ANZ New Zealand's share of results of associates and joint venture entities is included in the consolidated income statement. Shares in associates and joint venture entities are carried in the consolidated balance sheet at cost plus ANZ New Zealand's share of post acquisition net assets. Interests in associates and joint ventures are reviewed for any indication of impairment at least at each reporting date. This impairment review may use a discounted cash flow methodology and other methodologies, including a multiples of earnings methodology, to determine the reasonableness of the valuation.

In the NZ Branch's financial statements investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses.

(viii) Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of 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, such as derivatives, 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 services or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(iii) Dividend income
Dividends are recognised as revenue when the right to receive payment is established.

(iv) Leasing income
Finance income on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.

Notes to the Financial Statements

(v) Gain or loss on sale of premises and equipment
The gain or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognised as an item of other income in the period in which the significant risks and rewards of ownership are transferred to the buyer.

(c) Expense recognition

Expenses are recognised in the income statement on an accruals basis.

(i) Interest expense
Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method.

(ii) Loan origination expenses
Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:
- fees and commissions payable to brokers in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the expected yield of the financial asset over its expected life using the effective interest method.

(iii) Lease payments
Leases entered into by 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 in each jurisdiction. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

(ii) Current tax
Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(iii) Deferred tax
Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credit can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in controlled entities, 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 the temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which 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.

Notes to the Financial Statements

(e) Assets

Financial assets
(i) Financial assets and liabilities at fair value through profit or loss
Trading securities are financial instruments acquired principally for the purpose of selling in the short-term or which are a part of a portfolio which is managed for short-term profit-taking. Trading securities are initially recognised and subsequently measured in the balance sheet at their fair value.

Derivatives that are neither financial guarantee contracts nor effective hedging instruments are carried at fair value through profit or loss. In addition, certain financial assets and liabilities are designated and measured at fair value through profit or loss where the following applies:
- investments backing insurance policyholder liabilities;
- doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities, or recognising the gains or losses thereon, on different bases;
- a group of financial assets or financial liabilities or both is managed and its performance evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Changes in the fair value (gains or losses) of these financial instruments are recognised in the income statement in the period in which they occur.

Purchases and sales of trading securities are recognised on trade date.

(ii) Derivative financial instruments
Derivative financial instruments are contracts whose value is derived from changes in one or more underlying price index or other variable, require little or no initial net investment and are settled at a later date. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are entered into for trading purposes (including customer-related reasons) or for hedging purposes (where the derivative instruments are used to hedge 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 statement. Included in the determination of fair value of derivatives is a credit valuation adjustment to reflect the credit worthiness of the counterparty, modelled using the counterparty's credit spreads. The valuation adjustment is influenced by the mark-to-market of the derivative trades and by the movement in credit spreads.

Where the derivative is designated and is effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. These hedging designations and associated accounting are as follows:

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 a period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised 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 funding instruments are recognised in the income statement. Under certain circumstances, the component of the fair value change in the derivative which relates to current

Notes to the Financial Statements

period realised and accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

Set-off arrangements

Fair value gains/losses arising from trading derivatives are not offset against fair value gains/losses on the balance sheet unless a legal right of set-off exists and there is an intention to settle net.

For contracts subject to master netting agreements that create a legal right of set-off for which only the net revaluation amount is recognised in the income statement, net unrealised gains on derivatives are recognised as part of other assets and net unrealised losses are recognised as part of other liabilities.

(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, certain loans and advances and quoted debt securities.

They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve. When the asset is sold, the cumulative gain or loss relating to the asset is transferred to the income statement.

Where there is objective evidence of impairment on an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in the income statement, as an impairment expense for debt instruments or as non-interest income for equity instruments. If, in a subsequent period, the amount of an impairment loss relating to an available-for-sale debt instrument decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the income statement through the impairment expense line.

Purchases and sales of available-for-sale financial assets are recognised on trade date, being the date on which 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.

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.

Notes to the Financial Statements

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 the classifications of due to other financial institutions or payables and other liabilities. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where ANZ New Zealand does not acquire the risks and rewards of ownership, are recorded as receivables in liquid assets, net loans and advances, or due from other financial institutions, depending on the term of the agreement and the counterparty. The security is not included in the balance sheet. Interest income is accrued on the underlying loan amount.

Securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, at which point the obligation to repurchase is recorded as a financial liability at fair value with fair value movements included in the income statement.

(vii) Derecognition
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.

(viii) Investments backing insurance policyholder liabilities
Securities held to back insurance and investment contract liabilities are classified as policyholder assets. These policyholder assets are designated at fair value through profit or loss.

Non-financial assets
(ix) Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control. Goodwill is recognised as an asset and not amortised, but is assessed for impairment at least annually or more frequently if there is an indication that the goodwill may be impaired. This involves using the discounted cash flow ("DCF") or the capitalisation of earnings methodology ("CEM") to determine the expected future benefits of the cash generating units to which the goodwill relates. Where the assessment results in the goodwill balance exceeding the value of expected future benefits, the difference is charged to the income statement. Any impairment of goodwill is not subsequently reversed.

(x) Other intangible assets
Other intangible assets include costs incurred in acquiring and building software and computer systems ("software") and management rights and customer relationships acquired in business combinations.

Software is amortised using the straight-line method over its expected useful life to ANZ New Zealand. The period of amortisation is between 3 and 5 years, except for certain core infrastructure projects where the useful life has been determined to be 7 years.

Management rights and customer relationships, including the value of in force insurance contracts, are initially measured at fair value. Management rights and customer relationships with a definite useful life are amortised over the expected useful life. Where management rights and customer relationships do not have finite terms and the cash flows associated with these management rights are expected to continue indefinitely, the intangible assets associated with these items are treated as having an indefinite useful life. Management rights and customer relationships with an indefinite useful life are not amortised.

At each reporting date, the software assets and other intangible assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

Notes to the Financial Statements

(xi) Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The calculation of borrowing costs is based upon ANZ New Zealand's internal cost of capital.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to ANZ New Zealand, using the straight-line method. The depreciation rates used for each class of asset are:

Buildings	1.5%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5 % - 33%

Leasehold improvements are amortised on a straight-line basis over the shorter of their useful lives or remaining terms of the lease.

At each reporting date, the carrying amounts of premises and equipment are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement. If it is not possible to estimate the recoverable amount of an individual asset, ANZ New Zealand estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(xii) Insurance policy assets / liabilities

Net insurance policy assets / liabilities include liabilities arising from life investment contracts and assets / liabilities arising from life insurance contracts.

Provisions for liabilities under life investment contracts are measured at fair value. The provision consists of a deposit component, being a financial instrument, which is recognised as an increase in investment contract liabilities, and an investment management services element. Fair value is determined as the net present value of fees, in respect of the investment management service, discounted at the risk free rate.

Life insurance contract assets / liabilities are determined using either a projection method or an accumulation method. Using a projection method, expected policy cash flows are projected into the future. The asset / liability is determined as the net present value of the expected cash flows. An accumulation method is used where the policy assets / liabilities determined are not materially different from those determined under the projection method.

Profits from life insurance contracts are brought to account using the Margin on Services model, under which profit is recognised as premiums are received and services are provided to policyholders. Where premiums are received but the service has not been provided, the profit is deferred. Losses are expensed when identified.

(f) Liabilities

Financial liabilities

(i) Deposits and other borrowings

Deposits and other borrowings include certificates of deposit, interest bearing deposits, debentures, commercial paper and other related interest and non-interest bearing financial instruments. Deposits and other borrowings, excluding commercial paper, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method. Commercial paper is designated at fair value through profit or loss, with fair value movements recorded directly in the income statement, which reflects the basis on which it is managed.

(ii) Bonds, notes and loan capital

Bonds, notes and loan capital are accounted for in the same way as deposits and other borrowings, except for those bonds and notes which are designated at fair value through profit or loss on initial recognition, with fair value movements recorded in the income statement.

(iii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received. Subsequent to initial recognition, 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.

Notes to the Financial Statements

Non-financial liabilities

(v) Employee leave benefits

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation. Expected future payments for long service leave are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(vi) Provisions

ANZ New Zealand recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) Equity

(i) Shares

Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

(ii) Non-controlling interests

Non-controlling interests represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Bank.

(iii) Reserves

Available-for-sale revaluation reserve

This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the income statement (in non-interest income) when the asset is derecognised. Where the asset is impaired, the changes are transferred to the impairment expense line in the income statement for debt instruments and in the case of equity instruments to non-interest income.

Cash flow hedging reserve

This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

(h) Presentation

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as being effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

(ii) Offsetting of financial assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Statement of cash flows

For cash flow statement presentation purposes, cash and cash equivalents includes: cash on hand; deposits held at call with other financial institutions; and other short term, highly liquid, investments with original terms of maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of ANZ New Zealand. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

(iv) Segment reporting

Business 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 business 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. For reporting purposes the three major business segments are Retail, Commercial and Institutional.

(v) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Notes to the Financial Statements

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

(i) Other

(i) Contingent liabilities
Contingent liabilities acquired in a business combination are individually measured at fair value at the acquisition date. At subsequent reporting dates the value of such contingent liabilities is reassessed based on the estimate of expenditure required to settle the contingent liability.

Other contingent liabilities are not recognised in the balance sheet but disclosed in Note 35 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 and is assessing their impact on its financial statements.

Standards and amendments effective for periods commencing after 1 January 2013
NZ IFRS 9 Financial Instruments (2009 & 2010)
Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.
NZ IFRS 10 Consolidated Financial Statements
Establishes a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investors.
NZ IFRS 11 Joint Arrangements
Introduces a new approach to joint arrangements, which focuses on the rights and obligations of the arrangement rather than its legal form, and requires the equity method of accounting for joint ventures.
NZ IFRS 12 Disclosure of Interests in Other Entities
Provides a single, consistent approach for disclosures of all interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
NZ IFRS 13 Fair value measurement
Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.
NZ IAS 27 (2011) Separate Financial Statements
Carries forward the existing accounting and disclosure requirements for separate financial statements.

Other amendments
Improvements to New Zealand equivalents to International Financial Reporting Standards 2010
Is the International Accounting Standards Board's annual omnibus updates of standards.

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.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Individual provisioning is applied when the full collectability of one of ANZ New Zealand's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The

Notes to the Financial Statements

methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 15 for details of credit impairment provisions.

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

Critical judgements in applying ANZ New Zealand's accounting policies

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, thus creating volatility within the income statement through recognition of this ineffectiveness.

Goodwill
Refer to Note 19 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. Each of these cash generating units is represented by an individual reporting segment – Retail, Commercial and Institutional. Refer to Note 7.

Impairment testing of purchased goodwill is performed annually, or more frequently where there is an indication that the goodwill may be impaired, by comparing the recoverable value of each cash generating unit with the current carrying amount of its net assets, including goodwill.

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

These cash flow projections are discounted using a capital asset pricing model. As at 31 March 2011 when the last valuation was prepared, a discount rate of 12.04% was applied to each segment. The main variables in the calculation of the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the regional banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each segment.

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

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

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

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 Board in this function. The role of the Risk Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, compliance, liquidity, product and reputational risk management, and to liaise and consult with the Ultimate Parent Bank Risk Committee as required. Risk Management, via the Chief Risk Officer, coordinates risk management activities directly between Business Unit risk functions and Ultimate Parent Bank Group Risk Management functions.

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 all aspects of published financial statements and internal and external audit processes. The Bank's Audit Committee has a quorum of two directors, both of whom must be non-executive directors. It meets at least four times a year and reports directly to the Board of the Bank.

Financial risk management
Refer to Note 30 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 Committees. 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 Board 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 each point of representation. 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.

Notes to the Financial Statements

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.

Global Internal Audit
ANZ New Zealand's internal audit function ("Global Internal Audit") conducts independent reviews that assist the Boards and management to meet their statutory and other obligations.

Global Internal Audit reports directly to the Chairman of the Bank's Audit Committee and through to the Ultimate Parent Bank Group General Manager Global Internal Audit. Under its Charter, Global Internal Audit conducts independent appraisals of:

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

In planning audit activities, Global Internal Audit adopts a risk-based approach that directs and concentrates resources to those areas of greatest significance, strategic concern and risk to the business. This encompasses reviews of major credit, market, technology and operating risks within ANZ New Zealand. Significant findings are reported quarterly to the Ultimate Parent Bank and ANZ National Bank Limited Audit Committees as appropriate.

The Global Internal Audit Plan is approved by the Bank's Audit Committee and endorsed by the Ultimate Parent Bank Audit Committee.

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

Notes to the Financial Statements

4. Income

$ millions	Note	ANZ New Zealand Year to 30/09/2011	ANZ New Zealand Year to 30/09/2010	NZ Branch Year to 30/09/2011	NZ Branch Year to 30/09/2010
Interest income					
Financial assets at fair value through profit or loss					
Trading securities		**404**	346	**-**	-
		404	346	**-**	-
Financial assets not at fair value through profit or loss					
Liquid assets		**64**	66	**-**	-
Other financial institutions		**43**	67	**-**	-
Available-for-sale assets		**34**	69	**-**	-
Lending on productive loans		**6,008**	5,719	**579**	554
Lending on impaired assets		**78**	60	**2**	1
Other		**126**	120	**-**	-
		6,353	6,101	**581**	555
Total interest income		**6,757**	6,447	**581**	555
Net trading gains					
Net gain on foreign exchange trading		**137**	123	**-**	-
Net gain on trading securities		**204**	174	**-**	-
Net loss on trading derivatives		**(113)**	(258)	**-**	-
Net trading gains		**228**	39	**-**	-
Funds management and insurance income					
Fee income on trust and other fiduciary activities		**61**	62	**-**	-
Other funds management and insurance income		**204**	156	**-**	-
Total funds management and insurance income		**265**	218	**-**	-
Other operating income					
Lending and credit facility fee income		**41**	45	**1**	-
Other fee income		**566**	554	**-**	-
Total fee income		**607**	599	**1**	-
Direct fee expense		**185**	181	**-**	-
Net fee income		**422**	418	**1**	-
Dividends received		**2**	2	**-**	-
Net gain / (loss) on hedges not qualifying for hedge accounting		**(132)**	101	**(29)**	50
Net ineffectiveness on qualifying fair value hedges	11	**11**	(20)	**(7)**	(10)
Net cash flow hedge loss transferred to income statement		**(4)**	(21)	**-**	-
Net gain on financial liabilities designated at fair value		**2**	1	**-**	-
Loss on re-measuring existing equity interests to fair value		**-**	(82)	**-**	-
Other income		**13**	47	**3**	2
Total other operating income		**314**	446	**(32)**	42

Notes to the Financial Statements

5. Expenses

$ millions	ANZ New Zealand Year to 30/09/2011	ANZ New Zealand Year to 30/09/2010	NZ Branch Year to 30/09/2011	NZ Branch Year to 30/09/2010
Interest expense				
Financial liabilities at fair value through profit or loss				
Commercial paper	**158**	265	**-**	-
	158	265	**-**	-
Financial liabilities not at fair value through profit or loss				
Other financial institutions	**445**	401	**444**	412
Deposits and other borrowings	**2,347**	2,150	**-**	-
Bonds and notes	**939**	810	**-**	-
Term funding	**68**	72	**-**	-
Loan capital	**177**	180	**-**	-
Other	**23**	74	**-**	4
	3,999	3,687	**444**	416
Total interest expense	**4,157**	3,952	**444**	416
Operating expenses				
Personnel costs	**760**	735	**-**	-
Employee entitlements	**75**	71	**-**	-
Pension costs				
- Defined contribution schemes	**36**	36	**-**	-
- Defined benefit schemes	**6**	7	**-**	-
Share-based payments expense	**22**	21	**-**	-
Building occupancy costs	**41**	44	**-**	-
Depreciation of premises and equipment	**49**	47	**-**	-
Leasing and rental costs	**84**	82	**-**	-
Related parties (Note 26)	**80**	86	**-**	-
Technology expenses	**105**	126	**-**	-
Impairment of software and other intangible assets	**15**	5	**-**	-
Amortisation of software and other intangible assets	**25**	24	**-**	-
Administrative expenses	**209**	209	**-**	-
Asset write-offs associated with core system simplification	**26**	-	**-**	-
Other core system simplification costs	**136**	-	**-**	-
Other costs	**19**	72	**29**	26
Total operating expenses	**1,688**	1,565	**29**	26

$ thousands	Year to 30/09/2011	Year to 30/09/2010	Year to 30/09/2011	Year to 30/09/2010
Fees paid to principal auditors				
Audit or review of financial statements	**2,325**	2,290	**72**	71
Other audit-related services	**567**	701	**33**	33
Taxation services	**58**	-	**-**	-
Total auditors' remuneration	**2,950**	2,991	**105**	104
Audit fees paid to other audit firms	**55**	140	**-**	-

It is ANZ New Zealand's policy that, subject to the approval of the Ultimate Parent Bank Audit Committee, KPMG can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. KPMG may not provide services that are perceived to be in conflict with the role of auditor. Services that are perceived to be in conflict with the role of auditor include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Other audit-related services include services for the audit or review of financial information other than financial reports including prudential supervision reviews, prospectus reviews and other audits required for local regulatory purposes.

Notes to the Financial Statements

6. Income Tax Expense

	ANZ New Zealand		NZ Branch	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**1,531**	1,219	**63**	135
Prima facie income tax at 30%	**459**	366	**19**	41
Imputed and non-assessable dividends	**(6)**	(6)	**-**	-
Effect of changes in tax legislation	**(5)**	45	**-**	-
Change in tax provisions	**(11)**	(54)	**-**	-
Non-deductible expenses	**7**	1	**-**	-
	444	352	**19**	41
Income tax under provided in prior years	**2**	-	**-**	-
Total income tax expense	**446**	352	**19**	41
Effective tax rate (%) before change in tax provisions and the effect of changes in tax legislation	**30.2%**	29.6%	**30.0%**	30.4%
Effective tax rate (%)	**29.1%**	28.9%	**30.0%**	30.4%
Amounts recognised in the income statement				
Current income tax charge				
Current income tax charge	**262**	649	**20**	45
Adjustments recognised in the current year in relation to current tax of prior years	**3**	-	**-**	-
Deferred income tax				
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**181**	(324)	**(1)**	(4)
Other (including indemnity)	**-**	27	**-**	-
Total income tax expense recognised in the income statement	**446**	352	**19**	41
Amounts recognised directly in equity				
Current income tax				
Net gain / (loss) on revaluation of financial instruments	**(9)**	8	**-**	-
Deferred income tax				
Net gain on revaluation of financial instruments	**16**	32	**-**	-
Actuarial gain / (loss) on defined benefit schemes	**(18)**	8	**-**	-
Total income tax charge / (benefit) recognised directly in equity	**(11)**	48	**-**	-
Imputation Credit Account				
Balance at beginning of the year	**935**	645	**-**	-
Imputation credits attached to dividends received	**5**	31	**-**	-
Taxation paid	**187**	375	**-**	-
Imputation credits attached to dividends paid	**(145)**	(125)	**-**	-
Other	**3**	9	**-**	-
Balance at end of the year	**985**	935	**-**	-

A number of companies within ANZ New Zealand are members of an imputation group. The imputation credit account figures for ANZ New Zealand include those in relation to both the imputation group and other companies in ANZ New Zealand that are not in the imputation group.

Changes in tax legislation

In May 2010 legislation was passed to reduce the New Zealand corporate tax rate from 30% to 28% and to remove the ability to claim depreciation on buildings with an estimated useful life greater than fifty years, effective for the 2011-2012 income tax year.

Notes to the Financial Statements

7. Segmental Analysis

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

During the year ended 30 September 2011 a specialist Business Banking unit was created within the Commercial segment. Segmental reporting has been updated to reflect this and other 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 banking products and services to individuals through separate ANZ and The National Bank of New Zealand branded distribution channels. Personal banking customers have access to a wide range of financial services and products. Retail contains ANZ New Zealand's wealth businesses which include private banking and investment services provided to high net worth individuals, the OnePath wealth management and insurance businesses, and other investment products. This segment also includes other profit centres supporting the Retail Banking 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.

Institutional
Institutional provides financial services to large multi-banked corporations, often global, who require sophisticated product and structuring solutions. The Institutional business unit includes the following specialised units:

- Markets - provides foreign exchange, interest rate and commodity trading and sales-related services, origination, underwriting, structuring, risk management and sale of credit and derivative products globally;
- Transaction Banking - provides cash management, trade finance and international payments;
- Specialised Lending - provides origination, credit analysis, structuring and execution of specific customer transactions.

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

Notes to the Financial Statements

Business segment analysis[1]

$ millions	ANZ New Zealand				
30/09/2011	**Retail[3]**	**Commercial**	**Institutional**	**Other [4]**	**Total**
External interest income	**2,533**	**3,443**	**810**	**(29)**	**6,757**
External interest expense	**(1,309)**	**(625)**	**(486)**	**(1,737)**	**(4,157)**
Net intersegment interest	**(354)**	**(1,483)**	**73**	**1,764**	**-**
Net interest income	**870**	**1,335**	**397**	**(2)**	**2,600**
Other external operating income	**572**	**127**	**238**	**(130)**	**807**
Share of profit of associates and jointly controlled entities	**-**	**-**	**-**	**2**	**2**
Operating income	**1,442**	**1,462**	**635**	**(130)**	**3,409**
Other external expenses	**598**	**245**	**109**	**656**	**1,608**
Net intersegment and related party expenses [2]	**249**	**246**	**67**	**(482)**	**80**
Operating expenses	**847**	**491**	**176**	**174**	**1,688**
Profit before provision for credit impairment	**595**	**971**	**459**	**(304)**	**1,721**
Provision for credit impairment	**77**	**139**	**(26)**	**-**	**190**
Profit before income tax	**518**	**832**	**485**	**(304)**	**1,531**
Income tax expense	**151**	**250**	**142**	**(97)**	**446**
Profit after income tax	**367**	**582**	**343**	**(207)**	**1,085**
Other information					
Depreciation and amortisation	**29**	**8**	**-**	**37**	**74**
Goodwill	**724**	**1,466**	**1,072**	**-**	**3,262**
Intangible assets - indefinite life	**73**	**-**	**-**	**-**	**73**
Intangible assets - definite life	**142**	**7**	**1**	**22**	**172**
Shares in associates and jointly controlled entities	**-**	**-**	**13**	**87**	**100**
Total external assets	**37,325**	**50,888**	**35,867**	**5,003**	**129,083**
Total external liabilities	**32,862**	**17,957**	**35,791**	**34,008**	**120,618**

30/09/2010	**Retail[3]**	**Commercial**	**Institutional**	**Other [4]**	**Total**
External interest income	2,686	3,439	359	(37)	6,447
External interest expense	(1,201)	(569)	(414)	(1,768)	(3,952)
Net intersegment interest	(674)	(1,629)	549	1,754	-
Net interest income	811	1,241	494	(51)	2,495
Other external operating income[3]	386	143	116	58	703
Share of profit of associates and jointly controlled entities	35	-	5	2	42
Operating income	1,232	1,384	615	9	3,240
Other external expenses	609	255	103	512	1,479
Net intersegment and related party expenses [2]	237	250	62	(463)	86
Operating expenses	846	505	165	49	1,565
Profit before provision for credit impairment	386	879	450	(40)	1,675
Provision for credit impairment	151	365	(60)	-	456
Profit before income tax	235	514	510	(40)	1,219
Income tax expense	71	155	146	(20)	352
Profit after income tax	164	359	364	(20)	867
Other information					
Depreciation and amortisation	26	8	1	36	71
Goodwill	724	1,466	1,072	-	3,262
Intangible assets - indefinite life	125	-	-	-	125
Intangible assets - definite life	148	8	-	2	158
Shares in associates and jointly controlled entities	-	-	56	88	144
Total external assets	38,364	51,729	30,141	6,795	127,029
Total external liabilities	32,147	16,979	31,639	38,443	119,208

1 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
2 Net intersegment and related party expenses are eliminated at the Overseas Banking Group level.
3 Comparative information includes a loss of $82 million on acquisition of ING (NZ) Holdings Limited.
4 This segment has negative external revenues as this segment incurs funding costs on behalf of ANZ New Zealand and is reimbursed internally.

Notes to the Financial Statements

8. Liquid Assets

$ millions	ANZ New Zealand		NZ Branch	
	30/09/2011	30/09/2010	**30/09/2011**	30/09/2010
Cash and balances with central banks	**1,954**	1,830	**-**	-
Securities purchased under agreement to resell	**50**	-	**-**	-
Money at call	**330**	328	**-**	-
Bills receivable and remittances in transit	**121**	81	**-**	-
Total liquid assets	**2,455**	2,239	**-**	-

9. Due from Other Financial Institutions

$ millions	ANZ New Zealand		NZ Branch	
	30/09/2011	30/09/2010	**30/09/2011**	30/09/2010
Able to be withdrawn without prior notice	**380**	457	**-**	-
Securities purchased under agreement to resell	**1,085**	176	**-**	-
Securities purchased under agreement to resell with central banks	**-**	170	**-**	-
Security settlements	**606**	1,535	**-**	-
Certificates of deposit	**1,562**	707	**-**	-
Term loans and advances	**-**	451	**-**	-
Total due from other financial institutions	**3,633**	3,496	**-**	-
Fair value of securities purchased under agreement to resell	**1,133**	352	**-**	-

10. Trading Securities

$ millions	ANZ New Zealand		NZ Branch	
	30/09/2011	30/09/2010	**30/09/2011**	30/09/2010
Government, local body stock and bonds	**5,961**	3,917	**-**	-
Certificates of deposit	**334**	32	**-**	-
Promissory notes	**59**	64	**-**	-
Other bank bonds	**3,047**	2,655	**-**	-
Other	**65**	89	**-**	-
Total trading securities	**9,466**	6,757	**-**	-
Assets encumbered through repurchase agreements included in trading securities	**1,219**	222	**-**	-

Notes to the Financial Statements

11. Derivative Financial Instruments

The use of derivatives and their sale to customers as risk management products is an integral part of 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. 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 other balance sheet risk management derivatives are classified as held for trading.

The following tables provide an overview of ANZ New Zealand's and the NZ Branch's foreign exchange rate, interest rate and commodity derivatives.

Notes to the Financial Statements

30/09/2011 $ millions	ANZ New Zealand Notional Principal Amount	ANZ New Zealand Fair values Assets	ANZ New Zealand Fair values Liabilities	NZ Branch Notional Principal Amount	NZ Branch Fair values Assets	NZ Branch Fair values Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	**62,682**	**2,111**	**1,437**	**154**	**3**	**-**
Swap agreements	**126,313**	**4,727**	**5,609**	**9,875**	**145**	**31**
Options purchased	**2,271**	**66**	**1**	**-**	**-**	**-**
Options sold	**2,280**	**-**	**69**	**-**	**-**	**-**
	193,546	**6,904**	**7,116**	**10,029**	**148**	**31**
Interest rate derivatives						
Forward rate agreements	**73,346**	**13**	**11**	**295**	**-**	**-**
Swap agreements	**617,014**	**8,137**	**7,488**	**3,446**	**24**	**27**
Futures contracts	**12,841**	**18**	**8**	**-**	**-**	**-**
Options purchased	**4,623**	**24**	**-**	**-**	**-**	**-**
Options sold	**6,446**	**-**	**26**	**-**	**-**	**-**
	714,270	**8,192**	**7,533**	**3,741**	**24**	**27**
Commodity derivatives	**182**	**13**	**12**	**-**	**-**	**-**
Collateral received / paid	**n/a**	**(1,475)**	**(944)**	**n/a**	**-**	**-**
Total derivatives held for trading	**907,998**	**13,634**	**13,717**	**13,770**	**172**	**58**
Derivatives held for hedging						
(a) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	**76**	**3**	**-**	**-**	**-**	**-**
Interest rate derivatives						
Swap agreements	**23,699**	**382**	**382**	**4,460**	**-**	**59**
Total derivatives designated as fair value hedges	**23,775**	**385**	**382**	**4,460**	**-**	**59**
(b) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	**11,090**	**275**	**69**	**-**	**-**	**-**
Futures contracts	**13,431**	**-**	**10**	**-**	**-**	**-**
Total derivatives designated as cash flow hedges	**24,521**	**275**	**79**	**-**	**-**	**-**
Total derivatives held for hedging	**48,296**	**660**	**461**	**4,460**	**-**	**59**
Total derivative financial instruments	**956,294**	**14,294**	**14,178**	**18,230**	**172**	**117**

Notes to the Financial Statements

	ANZ New Zealand			NZ Branch		
30/09/2010	Notional Principal	Fair values		Notional Principal	Fair values	
$ millions	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	35,893	465	910	355	15	-
Swap agreements	110,566	2,232	3,206	10,111	460	52
Options purchased	1,563	48	-	-	-	-
Options sold	1,505	1	58	-	-	-
	149,527	2,746	4,174	10,466	475	52
Interest rate derivatives						
Forward rate agreements	44,065	7	7	2,671	-	-
Swap agreements	391,616	7,676	7,177	7,850	25	20
Futures contracts	25,494	3	22	-	-	-
Options purchased	524	21	-	-	-	-
Options sold	2,630	-	15	-	-	-
	464,329	7,707	7,221	10,521	25	20
Commodity derivatives	68	2	2	-	-	-
Collateral received / paid	n/a	(361)	(1,242)	n/a	-	-
Total derivatives held for trading	613,924	10,094	10,155	20,987	500	72
Derivatives held for hedging						
(a) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	53	3	-	-	-	-
Interest rate derivatives						
Swap agreements	23,437	530	482	7,320	-	70
Total derivatives designated as fair value hedges	23,490	533	482	7,320	-	70
(b) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	8,772	227	77	-	-	-
Futures contracts	6,226	-	13	-	-	-
Total derivatives designated as cash flow hedges	14,998	227	90	-	-	-
Total derivatives held for hedging	38,488	760	572	7,320	-	70
Total derivative financial instruments	652,412	10,854	10,727	28,307	500	142

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

	ANZ New Zealand		**NZ Branch**	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Gain / (loss) arising from fair value hedges:				
- hedged item	**(100)**	(458)	**(3)**	66
- hedging instrument	**111**	438	**(4)**	(76)
Net ineffectiveness on qualifying fair value hedges	**11**	(20)	**(7)**	(10)

Cash flow hedges

ANZ New Zealand's cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates or which are expected to be refunded or reinvested in the future. ANZ New Zealand primarily applies cash flow hedge accounting, where necessary, to its variable rate loan assets, variable rate liabilities and short term re-issuances of fixed rate customer and wholesale deposit liabilities. 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

Notes to the Financial Statements

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	
	30/09/2011	30/09/2010	**30/09/2011**	30/09/2010
Deferred gain / (loss) attributable to:				
Variable rate loan assets	**219**	200	**-**	-
Variable rate liabilities	**(33)**	(34)	**-**	-
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**(45)**	(64)	**-**	-
Total cash flow hedging reserve	**141**	102	**-**	-

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur, which is anticipated to take place over the next 0-10 years (30/09/2010 0-10 years).

Ineffectiveness recognised in the income statement in respect of cash flow hedges was less than $1 million in ANZ New Zealand and NZ Branch (30/09/2010 less than $1 million).

There were no transactions where cash flow hedge accounting ceased in the year ended 30 September 2011 as a result of highly probable cash flows that were no longer expected to occur (30/09/2010 no transactions).

12. Available-for-sale Assets

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Government, local body stock and bonds	**247**	1,939	**-**	-
Other debt securities	**48**	134	**-**	-
Equity securities	**116**	78	**-**	-
Total available-for-sale assets	**411**	2,151	**-**	-

13. Net Loans and Advances

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Overdrafts	**1,698**	2,131	**-**	-
Credit card outstandings	**1,367**	1,388	**-**	-
Term loans - housing	**53,696**	53,892	**9,916**	10,029
Term loans - non-housing	**37,398**	39,179	**-**	-
Finance lease receivables	**768**	726	**-**	-
Gross loans and advances	**94,927**	97,316	**9,916**	10,029
Provision for credit impairment (Note 15)	**(1,183)**	(1,420)	**(27)**	(22)
Unearned finance income	**(256)**	(273)	**-**	-
Fair value hedge adjustment	**134**	386	**37**	40
Deferred fee revenue and expenses	**(51)**	(50)	**(1)**	(1)
Capitalised brokerage/mortgage origination fees	**42**	56	**6**	13
Total net loans and advances	**93,613**	96,015	**9,931**	10,059

Notes to the Financial Statements

14. Impaired Assets, Restructured Assets and Other Assets Under Administration

Individually impaired assets	**ANZ New Zealand**				**NZ Branch**			
$ millions	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**
30/09/2011								
Balance at beginning of the year	**554**	**81**	**1,403**	**2,038**	**43**	**-**	**-**	**43**
Transfers from productive	**527**	**158**	**774**	**1,459**	**85**	**-**	**-**	**85**
Transfers to productive	**(83)**	**(1)**	**(101)**	**(185)**	**(6)**	**-**	**-**	**(6)**
Assets realised or loans repaid	**(407)**	**(71)**	**(691)**	**(1,169)**	**(50)**	**-**	**-**	**(50)**
Write offs	**(74)**	**(106)**	**(191)**	**(371)**	**(6)**	**-**	**-**	**(6)**
Individually impaired asset balance at end of the year	**517**	**61**	**1,194**	**1,772**	**66**	**-**	**-**	**66**
Restructured items	**20**	**-**	**-**	**20**	**-**	**-**	**-**	**-**
Total impaired assets	**537**	**61**	**1,194**	**1,792**	**66**	**-**	**-**	**66**
30/09/2010								
Balance at beginning of the year	387	59	740	1,186	10	-	-	10
Transfers from productive	591	258	1,282	2,131	59	-	-	59
Transfers to productive	(24)	(2)	(73)	(99)	(4)	-	-	(4)
Assets realised or loans repaid	(338)	(110)	(454)	(902)	(16)	-	-	(16)
Write offs	(62)	(124)	(92)	(278)	(6)	-	-	(6)
Individually impaired asset balance at end of the year	554	81	1,403	2,038	43	-	-	43
Restructured items	9	-	-	9	-	-	-	-
Total impaired assets	563	81	1,403	2,047	43	-	-	43

Restructured assets

A restructured asset is an impaired asset for which the terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulty in complying with the original terms, and where the yield on the asset following restructuring is still above ANZ New Zealand's cost of funds. An asset is classified as an other individually impaired asset if, following the restructure, the yield on the asset is below ANZ New Zealand's cost of funds.

Restructured assets	**ANZ New Zealand**				**NZ Branch**			
$ millions	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**
30/09/2011								
Balance at beginning of the year	**9**	**-**	**-**	**9**	**-**	**-**	**-**	**-**
Transfers to restructured items	**17**	**-**	**58**	**75**	**-**	**-**	**-**	**-**
Transfers from restructured items	**(6)**	**-**	**(58)**	**(64)**	**-**	**-**	**-**	**-**
Balance at end of the year	**20**	**-**	**-**	**20**	**-**	**-**	**-**	**-**
30/09/2010								
Balance at beginning of the year	2	-	-	2	-	-	-	-
Transfers to restructured items	9	-	-	9	-	-	-	-
Transfers from restructured items	(2)	-	-	(2)	-	-	-	-
Balance at end of the year	9	-	-	9	-	-	-	-

Renegotiated loans

Renegotiated loans are loans that would otherwise be past due or impaired had their terms not been renegotiated. At 30 September 2011, loans and advances of $590 million were renegotiated in ANZ New Zealand (30/09/2010 $621 million) and $40 million were renegotiated in the NZ Branch (30/09/2010 nil).

Assets acquired through enforcement of security

Assets acquired through enforcement of security are those assets which are legally owned by ANZ New Zealand as a result of enforcing security, other than any buildings occupied by ANZ New Zealand. ANZ New Zealand held no material assets acquired through enforcement of security (30/09/2010 $nil).

Other assets under administration

Other assets under administration are any loans, not being impaired or 90 days past due, where the customer is in any form of voluntary or involuntary administration, including receivership, liquidation, bankruptcy or statutory management.

Notes to the Financial Statements

Interest forgone

Interest forgone on impaired assets has been calculated based on interest rates that would have been applied to loans of similar risk and maturity.

	ANZ New Zealand				NZ Branch			
30/09/2011 $ millions	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**
Other assets under administration	**-**	**-**	**6**	**6**	**-**	**-**	**-**	**-**
Undrawn facilities with impaired customers	**-**	**-**	**26**	**26**	**-**	**-**	**-**	**-**
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	**54**	**7**	**82**	**143**	**3**	**-**	**-**	**3**
Interest recognised	**(18)**	**(4)**	**(56)**	**(78)**	**(2)**	**-**	**-**	**(2)**
Net interest forgone on impaired loans	**36**	**3**	**26**	**65**	**1**	**-**	**-**	**1**
30/09/2010								
Other assets under administration	-	-	4	4	-	-	-	-
Undrawn facilities with impaired customers	-	-	32	32	-	-	-	-
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	44	7	68	119	2	-	-	2
Interest recognised	(16)	(3)	(41)	(60)	(1)	-	-	(1)
Net interest forgone on impaired loans	28	4	27	59	1	-	-	1

Notes to the Financial Statements

15. Provision for Credit Impairment

$ millions	ANZ New Zealand Retail mortgages	ANZ New Zealand Other retail exposures	ANZ New Zealand Non-retail exposures	ANZ New Zealand Total	NZ Branch Retail mortgages	NZ Branch Other retail exposures	NZ Branch Non-retail exposures	NZ Branch Total
30/09/2011								
Collective provision								
Balance at beginning of the year	**122**	**149**	**533**	**804**	**11**	**-**	**-**	**11**
Charge / (credit) to income statement	**8**	**(2)**	**(138)**	**(132)**	**(1)**	**-**	**-**	**(1)**
Balance at end of the year	**130**	**147**	**395**	**672**	**10**	**-**	**-**	**10**
Individual provision (individually impaired assets)								
Balance at beginning of the year	**218**	**50**	**348**	**616**	**12**	**-**	**-**	**12**
Charge to income statement	**37**	**79**	**206**	**322**	**14**	**-**	**-**	**14**
Recoveries of amounts previously written off	**2**	**17**	**3**	**22**	**-**	**-**	**-**	**-**
Bad debts written off	**(74)**	**(106)**	**(191)**	**(371)**	**(7)**	**-**	**-**	**(7)**
Discount unwind[1]	**(18)**	**(4)**	**(56)**	**(78)**	**(2)**	**-**	**-**	**(2)**
Balance at end of the year	**165**	**36**	**310**	**511**	**17**	**-**	**-**	**17**
Total provision for credit impairment	**295**	**183**	**705**	**1,183**	**27**	**-**	**-**	**27**
30/09/2010								
Collective provision								
Balance at beginning of the year	127	159	518	804	6	-	-	6
Charge / (credit) to income statement	(5)	(10)	15	-	5	-	-	5
Balance at end of the year	122	149	533	804	11	-	-	11
Individual provision (individually impaired assets)								
Balance at beginning of the year	156	40	281	477	3	-	-	3
Charge to income statement	139	120	197	456	15	-	-	15
Recoveries of amounts previously written off	2	17	2	21	-	-	-	-
Bad debts written off	(62)	(124)	(92)	(278)	(5)	-	-	(5)
Discount unwind[1]	(17)	(3)	(40)	(60)	(1)	-	-	(1)
Balance at end of the year	218	50	348	616	12	-	-	12
Total provision for credit impairment	340	199	881	1,420	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

Provision movement analysis	**ANZ New Zealand**				**NZ Branch**			
$ millions	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**	**Retail mortgages**	**Other retail exposures**	**Non-retail exposures**	**Total**
30/09/2011								
New and increased provisions	**165**	**115**	**319**	**599**	**20**	**-**	**-**	**20**
Provision releases	**(126)**	**(19)**	**(110)**	**(255)**	**(6)**	**-**	**-**	**(6)**
	39	**96**	**209**	**344**	**14**	**-**	**-**	**14**
Recoveries of amounts previously written off	**(2)**	**(17)**	**(3)**	**(22)**	**-**	**-**	**-**	**-**
Individual provision charge	**37**	**79**	**206**	**322**	**14**	**-**	**-**	**14**
Collective provision charge / (credit)	**8**	**(2)**	**(138)**	**(132)**	**(1)**	**-**	**-**	**(1)**
Total charge to income statement	**45**	**77**	**68**	**190**	**13**	**-**	**-**	**13**
30/09/2010								
New and increased provisions	206	160	338	704	20	-	-	20
Provision releases	(65)	(23)	(139)	(227)	(5)	-	-	(5)
	141	137	199	477	15	-	-	15
Recoveries of amounts previously written off	(2)	(17)	(2)	(21)	-	-	-	-
Individual provision charge	139	120	197	456	15	-	-	15
Collective provision charge / (credit)	(5)	(10)	15	-	5	-	-	5
Total charge to income statement	134	110	212	456	20	-	-	20

16. Controlled Entities, Associates and Jointly Controlled Entities

	ANZ New Zealand		**NZ Branch**	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Shares in associates	**99**	143	**-**	-
Shares in jointly controlled entities	**1**	1	**-**	-
Total shares in controlled entities, associates and jointly controlled entities	**100**	144	**-**	-

Notes to the Financial Statements

Controlled Entities	Ownership Interest %	Balance Date	Nature of business
Alos Holdings Limited	100	30 September	Investment company
ANZ Capel Court Limited (New Zealand Branch)	100	30 September	Securitisation services company
ANZ Capital NZ Limited	100	30 September	Investment company
ANZ Holdings (New Zealand) Limited	100	30 September	Investment company
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management company
ANZ National Bank Limited	100	30 September	Registered bank
ANZ National (Int'l) Limited	100	30 September	Investment company
ANZ National Staff Superannuation Limited	100	30 September	Staff superannuation scheme trustee
ANZ Nominees Limited (New Zealand Branch)	100	30 September	Nominee company
ANZ Securities (NZ) Limited	100	30 September	Nominee company
ANZMAC Securities (NZ) Nominees Limited	100	30 September	Nominee company
ANZNZ Covered Bond Trust	-	30 September	Securitisation entity
Arawata Assets Limited	100	30 September	Property company
Arawata Finance Limited	100	30 September	Investment company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Trust	-	30 September	Investment entity
Arawata Trust Company	100	30 September	Investment company
Australian Properties Ltd	100	30 September	Management company
AUT Investments Limited	100	30 September	Investment company
BHI Limited	100	30 September	Non operative
Control Nominees Limited	100	30 September	Investment company
Direct Broking Limited	100	30 September	On-line share broker
Direct Nominees Limited	100	30 September	Nominee company
Diversified Yield Fund (registered in Australia)	99	30 June	Fixed income fund
Eastern Specialists Consulting Ltd	100	30 September	Non operative
EFTPOS New Zealand Limited	100	30 September	EFTPOS service provider
Endeavour Finance Limited	100	30 September	Investment company
Harcourt Corporation Limited	100	30 September	Investment company
Karapiro Investments Limited	100	30 September	Non operative
Kingfisher NZ Trust 2008-1	-	30 September	Securitisation entity
Medical Properties Holding Company No.1 Limited[1]	100	30 September	Holding company
National Bank of New Zealand Custodians Limited	100	30 September	Nominee company
NBNZ Holdings Hong Kong Limited (registered in Hong Kong)	100	31 December	Non operative
NBNZ Holdings Limited	100	30 September	Investment company
OneAnswer Nominees Limited	100	30 September	Nominee company
OnePath (NZ) Limited	100	30 September	Funds management company
OnePath Holdings (NZ) Limited	100	30 September	Holding company
OnePath Insurance Holdings (NZ) Limited	100	30 September	Holding company
OnePath Insurance Services (NZ) Limited	100	30 September	Insurance company
OnePath Life (NZ) Limited	100	30 September	Insurance company
OnePath Nominees (NZ) Limited	100	30 September	Nominee company
Origin Mortgage Management Services Limited	-	31 March	Mortgage finance
Origin Mortgage Management Services (2008) Limited	-	31 March	Mortgage finance
Origin Mortgage Management Services (2011) Limited[2]	-	31 March	Mortgage finance
Private Nominees Limited	100	30 September	Nominee company
Radiola Corporation Limited	100	30 September	Non operative
Regular Income Fund (registered in Australia)	99	30 June	Fixed income fund
Rural Growth Fund Limited	100	30 September	Investment company
Samson Funding Limited	100	30 September	Investment company
Silver Fern Life Brokers Limited	100	30 September	Non operative
South Pacific Merchant Finance Limited	100	30 September	Investment company
Southpac Corporation Limited	100	30 September	Investment company
UDC Finance Limited	100	30 September	Finance company
Vital Healthcare Australian Properties Proprietary Limited (registered in Australia)	100	30 September	Management company
Vital Healthcare Management Limited	100	30 September	Management company

1 Previously known as Argosy Property Management Limited.
2 Previously known as General Finance Custodians Limited.

All controlled entities are incorporated in New Zealand, unless stated.

For all companies, with the exception of Origin Mortgage Management Services Limited, Origin Mortgage Management Services (2008) Limited, and Origin Mortgage Management Services (2011) Limited, the ownership interest percentage

Notes to the Financial Statements

equates to the voting power held. In relation to these companies, control exists through ANZ New Zealand having 100% of the voting rights.

In relation to Arawata Trust control exists through the Bank being trustee of the Trust. In relation to Kingfisher NZ Trust 2008-1 and ANZNZ Covered Bond Trust control exists as ANZ New Zealand retains substantially all the risks and rewards of the operations.

Associates

Associates	30/09/2011 Book Value $m	30/09/2010 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Cards NZ Limited	**85**	85	30	15	30 September	Card services
Kepler Group Southland / Central Otago Limited[1]	**-**	1	20	20	31 March	Financial services
NZ Poultry Enterprises Limited	**-**	43	n/a	n/a	30 April	Poultry processor
Paymark Limited	**2**	2	25	25	31 March	EFTPOS settlements
UCG Investments Limited	**10**	10	40	40	31 March	Rest home operator
Wyma Engineering (NZ) Limited	**2**	2	30	30	31 March	Agricultural machinery
Total investment in associates	**99**	143				

1 Previously known as Bennetts Financial Services Limited.

Shares in associates at 30 September 2011 includes goodwill of $12 million (30/09/2010 $56 million) for ANZ New Zealand and $nil (30/09/2010 $nil) for the NZ Branch.

All associates are incorporated in New Zealand.

Joint Ventures

Jointly controlled entities	30/09/2011 Book Value $m	30/09/2010 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Argenta Limited	**1**	1	21	21	31 July	Manufacture and marketing of animal remedies
Total investment in jointly controlled entities	**1**	1				

Movements in controlled entities, associates and joint ventures

In October 2010 ANZ New Zealand sold its interest in APAC Investments Limited.

In December 2010 Trillium Holdings Limited, Tui Securities Limited and Arawata Securities Limited were deregistered.

In February 2011 ANZNZ Covered Bond Trust was established.

In April 2011 ANZ New Zealand sold its interest in NZ Poultry Enterprises Limited.

In May 2011 CBC Finance Limited was deregistered.

In September 2011 Arawata Capital Limited was amalgamated into its direct parent company Arawata Finance Limited.

Notes to the Financial Statements

17. Other Assets

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Accrued interest and prepaid discounts	**343**	391	**-**	-
Accrued commission	**22**	25	**-**	-
Share-based payments asset	**57**	57	**-**	-
Prepaid expenses	**29**	60	**-**	-
Security settlements	**250**	81	**-**	-
Other assets	**156**	356	**-**	3
Total other assets	**857**	970	**-**	3

18. Deferred Tax Assets and Liabilities

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Deferred tax assets / (liabilities)				
Balance at beginning of the year	**304**	(15)	**7**	3
Credited / (charged) to the income statement[1]	**(181)**	324	**1**	4
Credited / (charged) directly to equity	**2**	(40)	**-**	-
Acquired as part of a business combination	**-**	35	**-**	-
Balance at end of the year	**125**	304	**8**	7
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**331**	397	**8**	6
Premises and equipment, software and intangibles	**(17)**	(20)	**-**	-
Provisions and accruals	**126**	150	**-**	1
Deferred acquisition costs and policy holder liabilities	**(90)**	(72)	**-**	-
Financial instruments	**(55)**	(39)	**-**	-
Carried forward losses	**16**	82	**-**	-
Lease finance	**(147)**	(126)	**-**	-
Other deferred tax assets and liabilities (including provisions)	**(39)**	(68)	**-**	-
Net deferred tax assets[2]	**125**	304	**8**	7
Deferred tax credited / (charged) to the income statement comprises the following temporary differences:				
Provision for credit impairment	**(66)**	13	**2**	3
Premises and equipment, software and intangibles	**3**	(5)	**-**	-
Provisions and accruals	**(24)**	(72)	**(1)**	1
Deferred acquisition costs and policy holder liabilities	**(18)**	(21)	**-**	-
Financial instruments	**-**	(7)	**-**	-
Carried forward losses	**(66)**	5	**-**	-
Lease finance	**(21)**	(13)	**-**	-
Other deferred tax assets and liabilities (including provisions)	**11**	424	**-**	-
	(181)	324	**1**	4
Deferred tax credited / (charged) to equity comprises the following temporary differences:				
Defined benefit schemes	**18**	(8)	**-**	-
Financial instruments	**(16)**	(32)	**-**	-
Total deferred tax charged / (credited) directly to equity	**2**	(40)	**-**	-

1 Amounts charged / credited to the income statement include deferred tax assets / liabilities which have crystallised and have been transferred to current tax assets / liabilities. These transfers are accounted for by charging / crediting deferred income tax expense and crediting / charging current tax expense.

2 Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same income tax authority on either the same taxable entity or different taxable entities within the same taxable group.

Notes to the Financial Statements

19. Goodwill and Other Intangible Assets

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Goodwill	**3,262**	3,262	**-**	-
Software	**85**	82	**-**	-
Other intangibles with a definite life	**87**	76	**-**	-
Other intangibles with an indefinite life	**73**	125	**-**	-
	3,507	3,545	**-**	-

The goodwill balance above largely comprises the goodwill purchased by ANZ New Zealand on the acquisition of NBNZ Holdings Limited in December 2003 and the subsequent acquisition and amalgamation of The National Bank of New Zealand Limited from NBNZ Holdings Limited in June 2004. Refer Note 2 for discussion of impairment testing for this goodwill.

20. Due to Other Financial Institutions

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Due to other financial institutions	**11,033**	12,071	**10,011**	10,481
Securities sold under agreements to repurchase from other financial institutions	**1,164**	222	**-**	-
Securities sold under agreements to repurchase from central banks	**50**	-	**-**	-
Total due to other financial institutions	**12,247**	12,293	**10,011**	10,481

21. Deposits and Other Borrowings

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Amortised cost				
Certificates of deposit	**2,454**	3,245	**-**	-
Term deposits	**33,799**	34,687	**-**	-
Demand deposits bearing interest	**21,589**	18,714	**-**	-
Deposits not bearing interest	**5,118**	4,964	**-**	-
Secured debenture stock	**1,488**	1,378	**-**	-
Total deposits and other borrowings recognised at amortised cost	**64,448**	62,988	**-**	-
Fair value through profit or loss				
Commercial paper	**4,790**	7,307	**-**	-
Total deposits and other borrowings recognised at fair value	**4,790**	7,307	**-**	-
Total deposits and other borrowings	**69,238**	70,295	**-**	**-**
Amortised cost of balances included within deposits and other borrowings recognised at fair value:				
Commercial paper issued by ANZ National (Int'l) Limited guaranteed by ANZ National Bank Limited	**4,790**	7,305	**-**	-
Secured debenture stock are secured over:				
Carrying value of total tangible assets of UDC Finance Limited	**2,007**	2,111	**-**	-

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.

Registered secured debenture stock is constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. The trust deed creates floating charges over all the assets, primarily loans and advances, of UDC Finance Limited.

Notes to the Financial Statements

22. Payables and Other Liabilities

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Creditors	**78**	98	**-**	-
Accrued interest and unearned discounts	**679**	695	**71**	67
Defined benefit schemes deficit	**84**	26	**-**	-
Share-based payments liability	**30**	28	**-**	-
Accrued charges	**255**	311	**2**	3
Security settlements	**1,242**	195	**-**	-
Equitable assignment of mortgages	**-**	16	**-**	-
Other liabilities	**48**	137	**-**	-
Total payables and other liabilities	**2,416**	1,506	**73**	70

23. Provisions

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Non-lending losses, frauds and forgeries	**1**	3	**-**	-
Employee entitlements	**135**	127	**-**	-
Personnel restructuring costs	**13**	2	**-**	-
Other restructuring costs	**58**	22	**-**	-
Other provisions	**102**	161	**-**	-
Total provisions	**309**	315	**-**	-

Employee entitlements
The provision for employee entitlements provides for the cost of employee entitlements for annual leave, long service leave and retirement leave. The majority of employees utilise their annual leave in the year the entitlement accrued.

Personnel restructuring costs and redundant assets restructuring costs
Restructuring cost provisions arise from exit activities relating to material changes in the scope or manner of business undertaken by ANZ New Zealand and includes termination benefits and costs relating to core system simplification. Provisions are made when ANZ New Zealand is demonstrably committed, it is probable that the costs will be incurred, though their timing is uncertain, and the costs can be reliably estimated. The majority of provisions recognised at 30 September 2011 are expected to be settled over the coming financial year, with the exception that provisions for losses arising from rental commitments on leased premises which have become vacant as a result of restructuring will be settled over the remaining term of the leases.

Other provisions
Other provisions includes provisions relating to make-good provisions on leased premises, the acquisition of ING (NZ) Holdings Limited, and related managed funds.

Notes to the Financial Statements

24. Bonds and Notes

$ millions					ANZ New Zealand	
Currency	**Face value**	**Type of note**	**Maturity**	**Interest rate %**	**30/09/2011**	30/09/2010
Issued by the Bank						
NZD	70m	floating rate notes	2010	3 month BKBM + 0.35%	**-**	70
NZD	150m	fixed rate notes	2011	6.80%	**-**	150
NZD	170m	floating rate notes	2011	3 month BKBM + 0.90%	**-**	170
NZD	50m	fixed rate notes	2011	8.25%	**-**	50
NZD	50m	floating rate notes	2011	3 month BKBM + 1.24%	**-**	50
NZD	40m	floating rate notes	2012	3 month BKBM + 0.90%	**40**	40
NZD	100m	floating rate notes	2012	3 month BKBM + 1.025%	**100**	100
NZD	150m	fixed rate notes	2012	5.63%	**150**	150
NZD	100m	fixed rate notes	2013	6.32%	**100**	100
NZD	175m	floating rate notes	2013	3 month BKBM + 1.30%	**175**	-
NZD	175m	fixed rate notes	2014	8.50%	**175**	175
NZD	60m	fixed rate notes	2014	8.50%	**60**	60
NZD	250m	fixed rate notes	2015	6.60%	**250**	250
NZD	350m	fixed rate notes	2015	6.51%	**350**	350
NZD	150m	fixed rate notes	2016	6.32%	**150**	-
NZD	250m	floating rate notes	2016	3 month BKBM + 1.50%	**250**	-
NZD	100m	fixed rate notes	2018	6.85%	**100**	-
NZD	125m	fixed rate notes	2018	6.08%	**125**	-
Index linked notes					**78**	100
Fair value hedge adjustment					**246**	365
Less bonds and notes held by the Bank					**(30)**	(23)
					2,319	2,157
Issued by ANZ National (Int'l) Limited						
USD	890m	floating rate notes[1]	2010	3 month LIBOR + 1.03%	**-**	1,210
USD	100m	floating rate notes[2]	2011	3 month LIBOR + 0.32%	**-**	136
USD	500m	floating rate notes[2]	2011	3 month LIBOR + 0.18%	**-**	679
USD	300m	fixed rate notes	2011	5.50%	**-**	407
USD	250m	floating rate notes	2011	3 month LIBOR + 0.70%	**-**	340
USD	20m	floating rate notes[2]	2011	3 month LIBOR + 0.20%	**-**	27
USD	100m	floating rate notes	2011	3 month LIBOR + 0.65%	**131**	136
HKD	155m	floating rate notes	2011	3 month HIBOR + 0.51%	**26**	27
GBP	435m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**886**	935
GBP	105m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**214**	226
USD	1,000m	fixed rate notes[2]	2012	3.25%	**1,308**	1,359
USD	500m	fixed rate notes[2]	2012	3.25%	**654**	679
USD	100m	floating rate notes[2]	2012	3 month LIBOR + 0.25%	**131**	136
USD	15m	floating rate notes	2012	3 month LIBOR + 0.80%	**20**	20
USD	1,250m	fixed rate notes	2012	2.38%	**1,634**	1,698
HKD	300m	floating rate notes	2012	3 month HIBOR + 0.71%	**50**	53
GBP	450m	floating rate notes[1]	2012	6 month GBP LIBOR + 0.08%	**917**	968
USD	2,000m	fixed rate notes	2013	6.20%	**2,613**	2,717
USD	750m	floating rate notes	2013	3 month LIBOR + 1.00%	**981**	-
USD	250m	floating rate notes	2013	3 month LIBOR + 1.00%	**327**	-
USD	100m	floating rate notes	2013	Fed Funds + 1.25%	**131**	-
JPY	1,300m	floating rate notes	2013	3 month JPY LIBOR +0.40%	**22**	-
USD	1,050m	floating rate notes[1]	2014	3 month LIBOR + 1.16%	**1,373**	1,427
USD	100m	floating rate notes[2]	2014	3 month LIBOR + 0.44%	**131**	136
USD	50m	floating rate notes	2014	3 month LIBOR + 1.15%	**65**	68
USD	71m	floating rate notes[2]	2014	3 month LIBOR + 0.28%	**93**	96
USD	20m	floating rate notes	2014	3 month LIBOR + 1.10%	**26**	27
HKD	100m	fixed rate notes	2014	3.03%	**17**	18
HKD	100m	fixed rate notes	2014	3.40%	**17**	18
HKD	150m	fixed rate notes	2014	2.04%	**25**	-
HKD	150m	fixed rate notes	2014	2.02%	**25**	-
JPY	500m	fixed rate notes	2014	1.40%	**9**	8
JPY	3,000m	fixed rate notes	2014	1.50%	**51**	49
CHF	250m	fixed rate notes	2014	2.01%	**363**	347
CHF	300m	fixed rate notes	2014	2.01%	**435**	417

Notes to the Financial Statements

USD	250m	floating rate notes	2015	3 month LIBOR + 0.90%	**327**	340
USD	1,000m	fixed rate notes	2015	3.13%	**1,308**	1,359
USD	5m	floating rate notes	2015	3 month LIBOR + 1.25%	**7**	-
HKD	105m	fixed rate notes	2015	3.30%	**18**	18
JPY	500m	floating rate notes	2015	3 month JPY LIBOR + 0.50%	**9**	8
JPY	11,800m	fixed rate notes	2015	1.54%	**201**	192
JPY	7,200m	floating rate notes	2015	3 month JPY LIBOR + 1.00%	**123**	117
SGD	200m	fixed rate notes	2015	2.95%	**201**	206
CHF	150m	fixed rate notes	2016	2.13%	**218**	-
					15,087	16,604
Issued by Samson Funding Limited						
USD	750m	fixed rate notes[3]	2053	5.36%	**1,066**	1,138
Total bonds and notes					**18,472**	19,899

Bonds and notes issued by ANZ National (Int'l) Limited are guaranteed by the Bank. Bonds and notes are unsecured and rank equally with other unsecured liabilities of ANZ New Zealand.

1 These notes were issued to subsidiaries of the Overseas Banking Group.
2 As well as being guaranteed by the Bank these notes also benefit from a supporting guarantee from the NZ Crown.
3 These notes were issued by Samson Funding Limited on 26 November 2003. The notes are 'stapled' to preference shares issued by the Ultimate Parent Bank and, prior to a conversion event, may not be traded separately from them. The notes can be redeemed for cash on 15 December 2013. Interest is payable half yearly in arrears at a fixed rate of 5.36% p.a. with interest payments due 15 June and 15 December.

25. Loan Capital

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
AUD 265,740,000 perpetual subordinated floating rate loan	**338**	349	**-**	-
AUD 43,767,507 term subordinated floating rate loan	**-**	58	**-**	-
AUD 169,520,000 term subordinated floating rate loan	**216**	223	**-**	-
Term subordinated fixed rate bonds	**600**	950	**-**	-
Perpetual subordinated bond	**835**	835	**-**	-
Total loan capital issued	**1,989**	2,415	**-**	-
Less loan capital instruments held by ANZ New Zealand	**(1)**	(8)	**-**	-
Total loan capital	**1,988**	2,407	**-**	-

AUD 265,740,000 loan
This loan has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

AUD 43,767,507 loan
The Bank elected to repay this loan on 15 September 2011. Interest was based on BBSW + 0.29% p.a..

AUD 169,520,000 loan
This loan has an ultimate maturity date of 18 September 2017. The Bank may elect to repay the loan on 17 September each year commencing from 2012 through to 2016. All interest is payable half yearly in arrears, with interest payments due 17 March and 17 September. Interest is based on BBSW + 0.68% p.a. to 17 September 2012 and increases to BBSW + 1.18% p.a. thereafter.

NZD subordinated bonds

Term subordinated fixed rate bonds

Issue date	Amount $m	Coupon rate	Call date	Maturity date
15 September 2006	350	7.16%	15 September 2011	15 September 2016
2 March 2007	250	7.60%	2 March 2012	2 March 2017
23 July 2007	350	8.23%	23 July 2012	23 July 2017

On 15 September 2011 the Bank fully redeemed the bonds that were originally issued on 15 September 2006.

The Bank may elect to redeem the remaining bonds on their respective call dates. If the bonds are not called the Bank will continue to pay interest to maturity at the five year interest rate swap rate plus 0.76% p.a. and 0.62% p.a. for the 2 March 2007 and 23 July 2007 bonds respectively. Interest is payable half yearly in arrears based on the fixed coupon rate.

Notes to the Financial Statements

As at 30 September 2011, these bonds carried an AA- rating by Standard & Poor's.

Perpetual subordinated bond

Issue date	Amount $m	Coupon rate	1st Call date	2nd Call date
18 April 2008	835	9.66%	18 April 2013	18 April 2018

The Bank may elect to redeem the bond on 18 April 2013, 18 April 2018 or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, beginning on 18 October 2008, up to and including the Second Call Date and then quarterly thereafter. If the bond is not called at the First Call Date, the coupon rate will reset to the five year interest swap rate plus 2.00%. Should the bond not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 30 September 2011, this bond carried an A+ rating by Standard and Poor's and an A3 rating by Moody's.

Interest may not necessarily be paid on each interest payment date as under the terms of the bonds, the Bank has a general right and in certain specified circumstances an obligation, to defer payment of interest on the bonds.

All of the NZD subordinated bonds are 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).

Loan capital is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank.

All subordinated debt qualifies as Lower Level Tier Two Capital for capital adequacy purposes except for the perpetual subordinated debt which qualifies as Upper Level Tier Two Capital.

26. Related Party Transactions

	ANZ New Zealand		NZ Branch	
$ thousands	**Year to**	Year to	**Year to**	Year to
Key management personnel	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Key management personnel compensation				
Salaries and short-term employee benefits	**13,557**	12,857	**-**	-
Post-employment benefits	**344**	352	**-**	-
Other long-term benefits	**153**	78	**-**	-
Termination benefits	**2,656**	931	**-**	-
Share-based payments	**2,080**	3,911	**-**	-
Total compensation of key management personnel	**18,790**	18,129	**-**	-
Loans to key management personnel	**3,300**	4,056	**-**	-
Deposits from key management personnel	**6,387**	7,539	**-**	-

Key management personnel are defined as being 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 above relating to key management personnel includes transactions with those individuals, their close family members and their controlled entities.

Loans made to and deposits held by key management personnel are made in the course of ordinary business on normal commercial terms and conditions no more favourable than those given to other employees or customers. Loans are on terms of repayment that range between fixed, variable and interest only, all of which have been made in accordance with the Bank's lending policies.

All transactions with key management personnel (including personally related parties) are conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions principally consist of the provision of financial and investment services.

Transactions with other related parties
The NZ Branch and ANZ New Zealand undertake transactions with the Immediate Parent Company, Ultimate Parent Bank, other members of the Overseas Banking Group, associates and joint ventures.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to 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.

Notes to the Financial Statements

In addition the Bank undertakes similar transactions with controlled entities, which are eliminated in the consolidated ANZ New Zealand financial statements. Included within the Bank's transactions with controlled entities is the provision of administrative functions to some controlled entities 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	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Interest income				
Received from associates	**6**	7	**-**	-
Received from joint ventures	**-**	2	**-**	-
Interest expense				
Paid to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**509**	481	**444**	416
Paid to Immediate Parent Company	**68**	72	**-**	-
Paid to associates	**2**	2	**-**	-
Other operating income				
Dividends received from associates	**2**	2	**-**	-
Commission received from joint ventures	**-**	6	**-**	-
Operating expenses				
Paid to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**80**	86	**-**	-
Paid to the Bank	**-**	-	**29**	26

Balances with related parties

	ANZ New Zealand		**NZ Branch**	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Due from other financial institutions				
Due from Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**133**	1,507	**-**	-
Derivative financial assets				
Due from related entities	**2,754**	2,548	**172**	500
Net loans and advances				
Due from associates	**4**	151	**-**	-
Due from joint ventures	**33**	36	**-**	-
Due from related entities	**-**	-	**338**	302
Shares in controlled entities, associates and joint ventures	**100**	144	**-**	-
Other assets				
Due from Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**57**	37	**-**	-
Total due from related parties	**3,081**	4,423	**510**	802
Due to other financial institutions				
Due to Ultimate Parent Bank	**10,786**	10,482	**10,011**	10,481
Deposits and other borrowings				
Due to associates	**85**	85	**85**	-
Due to controlled entities	**-**	-	**52**	-
Derivative financial liabilities				
Due to related entities	**4,210**	2,658	**117**	142
Payables and other liabilities				
Due to Bank	**-**	-	**69**	67
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**75**	77	**-**	-
Bonds and notes				
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**3,356**	4,743	**-**	-
Term funding due to Immediate Parent Company	**1,766**	1,766	**-**	-
Loan capital				
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**554**	630	**-**	-
Total due to related parties	**20,832**	20,441	**10,334**	10,690

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:

Notes to the Financial Statements

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Financial guarantees provided to the Ultimate Parent Bank	**1,296**	1,660	**-**	-

A provision for credit impairment of $1 million has been recognised for amounts due from associates as at 30 September 2011 (30/09/2010 $10 million).

27. Current and Non-current Assets and Liabilities

$ millions	ANZ New Zealand				NZ Branch			
	30/09/2011		30/09/2010		**30/09/2011**		30/09/2010	
	Current	**Non-current**	Current	Non-current	**Current**	**Non-current**	Current	Non-current
Assets								
Liquid assets	**2,455**	**-**	2,239	-	**-**	**-**	-	-
Due from other financial institutions	**3,633**	**-**	3,496	-	**-**	**-**	-	-
Trading securities	**9,466**	**-**	6,757	-	**-**	**-**	-	-
Derivative financial instruments	**14,294**	**-**	10,854	-	**172**	**-**	500	-
Available-for-sale assets	**393**	**18**	1,882	269	**-**	**-**	-	-
Net loans and advances	**28,105**	**65,508**	25,570	70,445	**201**	**9,730**	396	9,663
Due from related entities	**-**	**-**	-	-	**338**	**-**	302	-
Investments relating to insurance business	**71**	**26**	70	17	**-**	**-**	-	-
Insurance policy assets	**-**	**200**	-	138	**-**	**-**	-	-
Shares in controlled entities, associates	**-**	**100**	-	144	**-**	**-**	-	-
Current tax assets	**-**	**-**	18	-	**-**	**-**	-	-
Other assets	**800**	**57**	913	57	**-**	**-**	3	-
Deferred tax assets	**-**	**125**	-	304	**-**	**8**	-	7
Premises and equipment	**-**	**325**	-	311	**-**	**-**	-	-
Goodwill and other intangible assets	**-**	**3,507**	-	3,545	**-**	**-**	-	-
Total assets	**59,217**	**69,866**	51,799	75,230	**711**	**9,738**	1,201	9,670
Liabilities								
Due to other financial institutions	**4,684**	**7,563**	4,342	7,951	**2,585**	**7,426**	2,559	7,922
Deposits and other borrowings	**66,659**	**2,579**	68,314	1,981	**-**	**-**	-	-
Due to related parties	**-**	**-**	-	-	**51**	**-**	-	-
Derivative financial instruments	**14,178**	**-**	10,727	-	**117**	**-**	142	-
Payables and other liabilities	**2,302**	**114**	1,452	54	**73**	**-**	70	-
Current tax liabilities	**4**	**-**	-	-	**20**	**-**	45	-
Provisions	**211**	**98**	228	87	**-**	**-**	-	-
Bonds and notes	**4,882**	**13,590**	3,747	16,152	**-**	**-**	-	-
Term funding	**1,766**	**-**	1,766	-	**-**	**-**	-	-
Loan capital	**-**	**1,988**	-	2,407	**-**	**-**	-	-
Total liabilities	**94,686**	**25,932**	90,576	28,632	**2,846**	**7,426**	2,816	7,922

Assets and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

Non-current assets include premises and equipment and intangible assets as well as financial assets of a long-term nature. Non-current liabilities include financial and non-financial liabilities which are expected to be settled after twelve months from balance date.

For the purposes of this disclosure, the fair value of both trading and hedging derivatives has been classified as current. For more information on the contractual timing of expected outflows and inflows in relation to hedging derivatives refer to Note 30.

Notes to the Financial Statements

28. Share Capital and Head Office Account

	ANZ New Zealand		NZ Branch	
	30/09/2011	30/09/2010	**30/09/2011**	30/09/2010
Issued share capital				
Number of shares				
Ordinary shares at beginning and end of the year	**381,655,112**	381,655,112	-	-
Redeemable preference shares at beginning and end of the year	**4,005,295,229**	4,005,295,229	-	-
Total number of issued shares	**4,386,950,341**	4,386,950,341	**-**	-
Share capital & head office account				
$ millions				
Ordinary share capital at beginning and end of the year	**1,453**	1,453	**-**	-
Redeemable preference share capital at beginning and end of the year	**4,960**	4,960	**-**	-
Paid in share capital at end of the year	**6,413**	6,413	**-**	-
Head office account	**11**	11	**11**	11
Total capital & head office account at end of the year	**6,424**	6,424	**11**	11

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 2011 ANZ Holdings (New Zealand) Limited ("ANZH") paid an ordinary dividend of $215 million (30/09/2010 $nil) to the Immediate Parent Company (equivalent to $0.57 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 five classes of RPS, relating to issues in 1988, 2005, 2007, 2008 and 2009. During the year ended 30 September 2011 ANZH paid dividends on the 2007 class of RPS of $206 million (equivalent to $0.10 per share). (30/09/2010 ANZH paid $492 million of dividends on the 2007 class of RPS (equivalent to $0.25 per share)).

In a 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 head office account comprises funds provided by the Ultimate Parent Bank. It is non-interest bearing and there is no fixed date of repayment.

29. 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, trigger and operating range targets for both tier one 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.

Notes to the Financial Statements

ANZ New Zealand's Asset & Liability Committee and its related Capital Management sub-committee 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.

Overseas Banking Group Basel II capital adequacy ratio (unaudited)

	Overseas Banking Group		Ultimate Parent Bank	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
Tier One Capital	**10.9%**	10.1%	**11.5%**	11.0%
Total Capital	**12.1%**	11.9%	**12.3%**	12.3%

For calculation of minimum capital requirements under Pillar I of the Basel II Accord, APRA has accredited the Overseas Banking Group to use the Advanced Internal Ratings Based ("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 Ultimate Parent Bank is required to hold a minimum Prudential Capital Ratio ("PCR") as determined by APRA. The Overseas Banking Group exceeded the minimum capital adequacy requirements set by APRA as at 30 September 2011 and for the comparative prior period.

The Overseas Banking Group is required to publicly disclose Pillar III financial information as at 30 September 2011. The Overseas Banking Group's Basel II Pillar 3 Disclosure document for the year ended to 30 September 2011, prepared in accordance with APS 330, discloses capital adequacy ratios calculated under the Basel II methodology. These documents can be accessed at the website anz.com.

Risk weighted credit risk exposures
Risk weighted exposures for ANZ New Zealand and the NZ Branch have been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' ("BS2") dated June 2011. The credit equivalent amounts for market related contracts are calculated using the current exposure method.

Total Risk Weighted Exposures of ANZ New Zealand as at 30 September 2011 (Unaudited)

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	$m		$m
Cash and short term claims on Government	**3,551**	**0%**	**-**
Long term claims on Government	**5,251**	**10%**	**525**
Claims on banks	**6,229**	**20%**	**1,246**
Claims on public sector entities	**855**	**20%**	**171**
Residential mortgages	**53,216**	**50%**	**26,608**
Other	**42,190**	**100%**	**42,190**
Non risk weighted assets	**17,791**	**n/a**	**-**
	129,083		**70,740**

Off-balance sheet exposures	Principal amount	Credit conversion factor	Credit equivalent amount	Average counterparty risk weight	Risk weighted exposure
	$m		$m		$m
Direct credit substitutes	**1,813**	**100%**	**1,813**	**47%**	**856**
Commitments with certain drawdown	**540**	**100%**	**540**	**56%**	**302**
Transaction related contingent items	**673**	**50%**	**337**	**62%**	**209**
Short term, self liquidating trade related contingencies	**110**	**20%**	**22**	**100%**	**22**
Other commitments to provide financial services which have an original maturity of 1 year or more	**5,040**	**50%**	**2,520**	**100%**	**2,520**
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	**17,324**	**0%**	**-**	**n/a**	**-**
Market related contracts					
- Foreign exchange	**193,622**		**12,108**	**22%**	**2,657**
- Interest rate	**762,490**		**10,288**	**23%**	**2,389**
- Other	**182**		**31**	**39%**	**12**
	981,794		**27,659**		**8,967**
Total on and off balance sheet exposures					**79,707**

Notes to the Financial Statements

Market risk
The aggregate market risk exposures below have been calculated in accordance with BS2B.

The peak end-of-day market risk exposures are for the half-years ended 30 September 2011 and 2010. They are calculated separately for each category of exposure and may not have occurred at the same time.

	Implied risk weighted exposure		Aggregate capital charge	
	As at	Peak	As at	Peak
	$m	$m	$m	$m
30/09/2011				
Interest rate risk	**3,544**	**6,262**	**284**	**501**
Foreign currency risk	**6**	**72**	**-**	**6**
Equity risk	**123**	**126**	**10**	**10**
	3,673		**294**	
30/09/2010				
Interest rate risk	3,733	4,745	299	380
Foreign currency risk	25	101	2	8
Equity risk	78	96	6	8
	3,836		307	

Retail mortgages by loan-to-valuation ratio ("LVR")
As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by ANZ New Zealand's valuation of the security property at origination of the exposure. Off-balance sheet exposures include undrawn and partially undrawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which may or may not be accepted by the customer.

Retail mortgages by LVR for ANZ New Zealand as at 30 September 2011 (Unaudited)

$ millions	On-balance sheet	Off-balance sheet	Total
LVR range			
0% - 80%	**40,164**	**4,937**	**45,101**
80% - 90%	**6,380**	**643**	**7,023**
Over 90%	**4,626**	**271**	**4,897**
Total	**51,170**	**5,851**	**57,021**

Notes to the Financial Statements

Reconciliation of mortgage related amounts

$ millions	Note	ANZ New Zealand Unaudited 30/09/2011
Total residential mortgage exposures (Basel I approach)	29	53,216
Adjustments between Basel I approach and financial reporting presentation:		
Less: fair value hedge adjustment		(134)
Less: accrued interest on housing loans		(210)
Plus: impaired housing loans		566
Plus: other adjustments		258
Term loans - housing	13	53,696
Plus: short-term housing loans classified as overdrafts		339
Less: housing loans made to corporate customers		(2,865)
On-balance sheet retail mortgage exposures / Gross retail mortgage loans	30	51,170
Plus: off-balance sheet retail mortgage exposures		5,851
Total retail mortgage exposures as per LVR analysis	29	57,021
Gross retail mortgage loans		51,170
Provisions for credit impairment		(295)
Fair value hedge adjustment		134
Deferred fees and expenses / capitalised fees		2
Maximum exposure to credit risk	30	51,011

30. 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. These risks and ANZ New Zealand's policies and objectives for managing such risks are outlined below. ANZ New Zealand's overall risk management program 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. The 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
The 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, vision, values, 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

Notes to the Financial Statements

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. Where required, the framework is defined firstly by ANZ New Zealand's values and vision, and secondly, by 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 ANZ National Bank Limited.

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.

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 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 quickly 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.

Notes to the Financial Statements

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.

Concentrations of credit risk analysis

	ANZ New Zealand						
$ millions							
30/09/2011	Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Other financial assets	Credit related commitments [3]	Total
Industry							
Agriculture	38	-	95	17,322	125	1,477	19,057
Forestry, fishing and mining	9	-	12	484	4	326	835
Business & property services	24	-	19	8,575	62	2,054	10,734
Construction	-	-	4	930	7	863	1,804
Entertainment, leisure and tourism	-	-	43	1,118	8	419	1,588
Finance and insurance	3,908	3,501	12,780	1,011	258	1,505	22,963
Government and local authority [1]	1,887	6,253	537	1,442	10	1,070	11,199
Manufacturing	41	10	197	2,558	19	3,304	6,129
Personal lending	-	-	38	55,328	332	9,577	65,275
Retail trade	75	2	32	1,552	11	878	2,550
Transport and storage	19	57	42	1,584	11	639	2,352
Wholesale trade	51	-	106	1,174	8	1,306	2,645
Other[2]	36	54	389	1,849	13	2,278	4,619
	6,088	9,877	14,294	94,927	868	25,696	151,750
Provisions for credit impairment	-	-	-	(1,183)	-	-	(1,183)
Fair value hedge adjustment	-	-	-	134	-	-	134
Unearned finance income and deferred / capitalised fees	-	-	-	(265)	-	-	(265)
Total financial assets	6,088	9,877	14,294	93,613	868	25,696	150,436
Geography							
New Zealand	4,939	8,017	2,605	91,895	868	25,696	134,020
Overseas	1,149	1,860	11,689	1,718	-	-	16,416
Total financial assets	6,088	9,877	14,294	93,613	868	25,696	150,436

Notes to the Financial Statements

ANZ New Zealand

$ millions

30/09/2010	Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Other financial assets	Credit related commitments [3]	Total
Industry							
Agriculture	2	-	118	18,546	168	1,435	20,269
Forestry, fishing and mining	46	-	9	466	5	259	785
Business and property services	32	-	80	8,354	77	1,949	10,492
Construction	-	-	2	999	9	825	1,835
Entertainment, leisure and tourism	-	-	39	1,099	10	501	1,649
Finance and insurance	3,756	3,103	9,590	1,793	45	1,240	19,527
Government and local authority [1]	1,677	5,556	317	1,425	39	807	9,821
Manufacturing	55	20	123	3,093	28	3,273	6,592
Personal lending	-	-	1	55,540	503	8,819	64,863
Retail trade	105	2	70	1,438	13	961	2,589
Transport and storage	6	21	150	1,791	16	577	2,561
Wholesale trade	56	-	19	1,218	11	1,300	2,604
Other [2]	-	206	336	1,554	16	1,640	3,752
	5,735	8,908	10,854	97,316	940	23,586	147,339
Provisions for credit impairment	-	-	-	(1,420)	-	-	(1,420)
Fair value hedge adjustment	-	-	-	386	-	-	386
Unearned finance income and deferred / captialised fees	-	-	-	(267)	-	-	(267)
Total financial assets	5,735	8,908	10,854	96,015	940	23,586	146,038
Geography							
New Zealand	3,131	6,617	3,122	94,123	940	23,586	131,519
Overseas	2,604	2,291	7,732	1,892	-	-	14,519
Total financial assets	5,735	8,908	10,854	96,015	940	23,586	146,038

NZ Branch

$ millions

30/09/2011	Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Due from related parties	Other financial assets	Credit related commitments [3]	Total
Industry								
Finance and insurance	**-**	**-**	**172**	**-**	**338**	**-**	**-**	**510**
Government and local authority [1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Personal lending	**-**	**-**	**-**	**9,916**	**-**	**-**	**88**	**10,004**
Other [2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**172**	**9,916**	**338**	**-**	**88**	**10,514**
Provisions for credit impairment	**-**	**-**	**-**	**(27)**	**-**	**-**	**-**	**(27)**
Fair value hedge adjustment	**-**	**-**	**-**	**37**	**-**	**-**	**-**	**37**
Unearned finance income and deferred / capitalised fees	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**5**
Total financial assets	**-**	**-**	**172**	**9,931**	**338**	**-**	**88**	**10,529**
Geography								
New Zealand	**-**	**-**	**145**	**9,621**	**338**	**-**	**88**	**10,192**
Overseas	**-**	**-**	**27**	**310**	**-**	**-**	**-**	**337**
Total financial assets	**-**	**-**	**172**	**9,931**	**338**	**-**	**88**	**10,529**

Notes to the Financial Statements

$ millions 30/09/2010	NZ Branch Liquid assets and due from other financial institutions	Trading securities and available-for-sale assets	Derivative financial instruments	Net loans and advances	Due from related parties	Other financial assets	Credit related commitments [3]	Total
Industry								
Finance and insurance	-	-	500	-	302	-	-	802
Government and local authority[1]	-	-	-	-	-	-	-	-
Personal lending	-	-	-	10,029	-	3	63	10,095
Other[2]	-	-	-	-	-	-	-	-
	-	-	500	10,029	302	3	63	10,897
Provisions for credit impairment	-	-	-	(22)	-	-	-	(22)
Fair value hedge adjustment	-	-	-	40	-	-	-	40
Unearned finance income and deferred / capitalised fees	-	-	-	12	-	-	-	12
Total financial assets	-	-	500	10,059	302	3	63	10,927
Geography								
New Zealand	-	-	40	9,754	302	3	63	10,162
Overseas	-	-	460	305	-	-	-	765
Total financial assets	-	-	500	10,059	302	3	63	10,927

[1] Government and local authority includes exposures to government administration and defence, education and health and community services.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of on and off-balance sheet financial instruments before taking account of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*, and after deductions such as provisions for credit impairment. The exposure is classified into summarised Basel II asset classes.

$ millions	ANZ New Zealand				NZ Branch			
30/09/2011	Retail mortgages	Other retail exposures	Non-retail exposures	Total maximum exposure to credit risk	Retail mortgages	Other retail exposures	Non-retail exposures	Total maximum exposure to credit risk
On and off-balance sheet positions								
Liquid assets	**-**	**-**	**2,266**	**2,266**	**-**	**-**	**-**	**-**
Due from other financial institutions	**-**	**-**	**3,633**	**3,633**	**-**	**-**	**-**	**-**
Trading securities	**-**	**-**	**9,466**	**9,466**	**-**	**-**	**-**	**-**
Derivative financial instruments	**-**	**-**	**14,294**	**14,294**	**-**	**-**	**172**	**172**
Available-for-sale assets	**-**	**-**	**295**	**295**	**-**	**-**	**-**	**-**
Net loans and advances	**51,011**	**4,076**	**38,526**	**93,613**	**9,931**	**-**	**-**	**9,931**
Due from related entities	**-**	**-**	**-**	**-**	**-**	**-**	**338**	**338**
Other financial assets	**-**	**-**	**868**	**868**	**-**	**-**	**-**	**-**
Credit related commitments	**5,851**	**4,919**	**14,926**	**25,696**	**88**	**-**	**-**	**88**
Total exposure to credit risk	**56,862**	**8,995**	**84,274**	**150,131**	**10,019**	**-**	**510**	**10,529**
30/09/2010								
On and off-balance sheet positions								
Liquid assets	-	-	2,079	2,079	-	-	-	-
Due from other financial institutions	-	-	3,496	3,496	-	-	-	-
Trading securities	-	-	6,757	6,757	-	-	-	-
Derivative financial instruments	-	-	10,854	10,854	-	-	500	500
Available-for-sale assets	-	-	2,073	2,073	-	-	-	-
Net loans and advances	50,974	4,089	40,952	96,015	10,059	-	-	10,059
Due from related entities	-	-	-	-	-	-	302	302
Other financial assets	-	-	940	940	-	-	3	3
Credit related commitments	5,324	4,575	13,687	23,586	63	-	-	63
Total exposure to credit risk	56,298	8,664	80,838	145,800	10,122	-	805	10,927

Notes to the Financial Statements

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.

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 and there is no concern as to the creditworthiness of the counterparty in question.

The past due but not impaired (over 90 days) classification applies where contractual payments are past due by 90 days or more, or where the facility remains outside of contractual arrangements for 90 or more consecutive days, but 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.

Notes to the Financial Statements

Distribution 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
30/09/2011								
Strong risk rating	**38,881**	**1,071**	**17,297**	**57,249**	**7,919**	**-**	**-**	**7,919**
Satisfactory risk rating	**8,688**	**2,312**	**16,561**	**27,561**	**1,412**	**-**	**-**	**1,412**
Substandard but not past due or impaired	**1,689**	**557**	**3,489**	**5,735**	**205**	**-**	**-**	**205**
Total neither past due nor impaired	**49,258**	**3,940**	**37,347**	**90,545**	**9,536**	**-**	**-**	**9,536**
Past due but not impaired:								
1 to 5 days	**433**	**126**	**545**	**1,104**	**97**	**-**	**-**	**97**
6 to 29 days	**497**	**94**	**119**	**710**	**132**	**-**	**-**	**132**
1 to 29 days	**930**	**220**	**664**	**1,814**	**229**	**-**	**-**	**229**
30 to 59 days	**216**	**35**	**99**	**350**	**49**	**-**	**-**	**49**
60 to 89 days	**77**	**18**	**24**	**119**	**17**	**-**	**-**	**17**
90 days and over	**152**	**38**	**117**	**307**	**19**	**-**	**-**	**19**
Total past due but not impaired	**1,375**	**311**	**904**	**2,590**	**314**	**-**	**-**	**314**
Individually impaired	**537**	**61**	**1,194**	**1,792**	**66**	**-**	**-**	**66**
	51,170	**4,312**	**39,445**	**94,927**	**9,916**	**-**	**-**	**9,916**
30/09/2010								
Strong risk rating	37,457	976	16,600	55,033	7,670	-	-	7,670
Satisfactory risk rating	9,528	2,349	18,300	30,177	1,693	-	-	1,693
Substandard but not past due or impaired	1,885	642	4,594	7,121	265	-	-	265
Total neither past due nor impaired	48,870	3,967	39,494	92,331	9,628	-	-	9,628
Past due but not impaired:								
1 to 5 days	313	92	565	970	89	-	-	89
6 to 29 days	688	113	235	1,036	176	-	-	176
1 to 29 days	1,001	205	800	2,006	265	-	-	265
30 to 59 days	259	38	159	456	50	-	-	50
60 to 89 days	79	18	66	163	22	-	-	22
90 days and over	153	33	127	313	21	-	-	21
Total past due but not impaired	1,492	294	1,152	2,938	358	-	-	358
Individually impaired	563	81	1,403	2,047	43	-	-	43
	50,925	4,342	42,049	97,316	10,029	-	-	10,029

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 "Ba3" and "BB" to "BB-" 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 "B1" to "Caa" and "B+" to "CCC" of Moody's Investors Service and Standard & Poor's respectively.

These rating bands differ from the Capital Adequacy note credit risk exposures subject to the internal ratings based approach disclosures as RBNZ credit risk estimates are not used for these internal ratings. The exposures recorded in

Notes to the Financial Statements

these rating bands in the table below also differ from the Capital Adequacy note tables as off-balance sheet exposures are excluded. 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.

Credit quality of financial assets that are individually impaired
ANZ New Zealand regularly reviews its portfolio and monitors adherence to contractual terms. When doubt arises as to the collectability of a credit facility, the financial asset is classified and reported as individually impaired and an individual provision is allocated against it.

	ANZ New Zealand				NZ Branch			
$ millions	Retail mortgages	Other retail exposures	Non-retail exposures	Total	Retail mortgages	Other retail exposures	Non-retail exposures	Total
30/09/2011								
Impaired financial assets	**537**	**61**	**1,194**	**1,792**	**66**	**-**	**-**	**66**
Undrawn facilities with impaired customers	**-**	**-**	**26**	**26**	**-**	**-**	**-**	**-**
Individual provision balance	**165**	**36**	**310**	**511**	**17**	**-**	**-**	**17**
Net impaired financial assets	**372**	**25**	**910**	**1,307**	**49**	**-**	**-**	**49**
Collective provision balance	**130**	**147**	**395**	**672**	**10**	**-**	**-**	**10**
30/09/2010								
Impaired financial assets	563	81	1,403	2,047	43	-	-	43
Undrawn facilities with impaired customers	-	-	32	32	-	-	-	-
Individual provision balance	218	50	348	616	11	-	-	11
Net impaired financial assets	345	31	1,087	1,463	32	-	-	32
Collective provision balance	122	149	533	804	11	-	-	11

Estimated value of collateral related to financial assets that are individually impaired
For the purposes of this disclosure, where security held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

	ANZ New Zealand			NZ Branch		
$ millions	Net Loans and advances [1]	Credit related commitments [2]	Total	Net Loans and advances [1]	Credit related commitments [2]	Total
30/09/2011						
Real estate	**1,069**	**-**	**1,069**	**49**	**-**	**49**
Other	**216**	**22**	**238**	**-**	**-**	**-**
Total value of collateral	**1,285**	**22**	**1,307**	**49**	**-**	**49**
Credit exposure	**1,792**	**26**	**1,818**	**66**	**-**	**66**
Unsecured portion of credit	**507**	**4**	**511**	**17**	**-**	**17**
30/09/2010						
Real estate	977	-	977	32	-	32
Other	462	24	486	-	-	-
Total value of collateral	1,439	24	1,463	32	-	32
Credit exposure	2,047	32	2,079	43	-	43
Unsecured portion of credit	608	8	616	11	-	11

[1] All individually impaired financial assets are classified as loans and advances.
[2] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Notes to the Financial Statements

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. Trading operations largely focus on supporting customer hedging and investing activities, rather than outright proprietary trading. Consequently, each Board has set a medium market risk appetite for the Markets business which is reflected in the low/moderate market risk limit framework.

ANZ New Zealand has a detailed risk management and control framework to support its trading and balance sheet 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
ANZ New Zealand-wide responsibility for the strategies and policies relating to the management of market risk lies with each Board Risk Committee. Responsibility for day to day management of both market risks and compliance with market risk policy is delegated by the Risk Committee to the ANZ Credit and Market Risk Committee ("CMRC") and the Bank's Asset & Liability Committee ("ALCO"). The CMRC, chaired by the ANZ Group Chief Risk Officer, is responsible for traded market risk, while the ALCO, chaired by the NZ Group Chief Executive Officer, is responsible for non-traded market risk (or balance sheet risk). All committees receive regular reporting on the range of trading and balance sheet market risks incurred.

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 each Board and CMRC allocated to both Risk Management and the Business Units.

The management of market risk is supported by a comprehensive limit and policy framework to control the amount of risk that ANZ New Zealand will accept. Market risk limits are allocated at various levels and are reported and monitored by Market Risk 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).

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:

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 foreign exchange rate movements

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 valuation of the investments within this portfolio.

The traded market risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a Value at Risk ("VaR") framework and detailed control limits. In all trading areas ANZ New Zealand has implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and 'stress test' trading portfolios. ANZ New Zealand has an ALCO, comprising executive management to provide monthly oversight of market risk.

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

Value at Risk ("VaR") measure
A key measure of market risk is Value at Risk. VaR is a statistical estimate of the likely daily loss and is based on historical market movements.

Notes to the Financial Statements

The confidence level is such that there is 97.5% or 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely there is a 2.5% or 1% probability of the decrease in market value exceeding the VaR estimate on any given day. The 99% confidence level encompasses a wider range of potential outcomes.

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 and non-traded market risks are considered separately.

Traded market risks

	ANZ New Zealand				ANZ New Zealand			
$ millions	Value at risk at 97.5% confidence				Value at risk at 99% confidence			
	As at	High for year	Low for year	Average for year	As at	High for year	Low for year	Average for year
30/09/2011								
Foreign exchange risk	**0.4**	**0.9**	**0.2**	**0.4**	**0.4**	**1.3**	**0.3**	**0.5**
Interest rate risk	**1.9**	**4.3**	**1.2**	**2.8**	**2.3**	**7.2**	**1.6**	**3.9**
Credit spread risk	**0.8**	**1.0**	**0.3**	**0.6**	**0.9**	**1.1**	**0.4**	**0.7**
Diversification benefit	**(1.1)**	**n/a**	**n/a**	**(1.0)**	**(1.4)**	**n/a**	**n/a**	**(1.3)**
Total VaR	**2.0**	**4.4**	**1.4**	**2.8**	**2.2**	**6.7**	**1.8**	**3.8**
30/09/2010								
Foreign exchange risk	0.5	1.3	0.2	0.5	0.7	1.9	0.3	0.8
Interest rate risk	2.8	5.0	1.5	2.9	4.1	6.6	2.0	4.1
Credit spread risk	0.6	1.2	0.3	0.6	0.8	2.7	0.4	0.8
Diversification benefit	(1.1)	n/a	n/a	(1.1)	(1.5)	n/a	n/a	(1.5)
Total VaR	2.8	5.2	1.5	2.9	4.1	7.2	2.1	4.2

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 risks (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.

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 principally from changes in swap 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.

Notes to the Financial Statements

a) VaR non-traded interest rate risk

$ millions	As at	ANZ New Zealand High for year	Low for year	Average for year
30/09/2011				
Value at risk at 97.5% confidence	**7.9**	**13.5**	**7.3**	**9.3**
30/09/2010				
Value at risk at 97.5% confidence	11.7	13.6	7.2	11.3

b) Scenario analysis – A 1% shock on the next 12 months' net interest income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the succeeding 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and comparative periods – expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	ANZ New Zealand **30/09/2011**	30/09/2010
Impact of 1% rate shock		
As at	**1.3%**	0.7%
Maximum exposure	**1.4%**	1.0%
Minimum exposure	**-0.1%**	-0.7%
Average exposure (in absolute terms)	**0.7%**	0.3%

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. ANZ New Zealand quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model.

The majority of ANZ New Zealand's non-traded interest exposure exists in New Zealand. A separate balance sheet simulation process supplements the static gap information. This allows the net interest income outcomes of a number of different scenarios – with different market interest rate environments and future balance sheet structures – to be identified. This better enables ANZ New Zealand to quantify the interest rate risks associated with the balance sheet and to formulate strategies to manage current and future risk profiles.

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 majority of ANZ New Zealand's loan business is conducted domestically in New Zealand. The majority of retail deposits are also raised in New Zealand but are either fixed or floating in nature. The mix of repricing maturities in this book is influenced by the underlying financial needs of customers.

ANZ New Zealand's offshore operations are wholesale in nature and are able to minimise interest rate sensitivity through closely matching the maturities of loans and deposits. Given both the size and nature of this business, the interest rate sensitivity of this balance sheet contributes little to the aggregate risk exposure, which is primarily a reflection of the positions in New Zealand.

A combination of off-balance sheet instruments and pricing initiatives is used in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's interest rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by ANZ New Zealand's policy.

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 information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at ANZ New Zealand's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

Notes to the Financial Statements

30/09/2011				**ANZ New Zealand**			
$ millions	**Total**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**Beyond 2 years**	**Not bearing interest**
Assets							
Liquid assets	**2,455**	**2,266**	**-**	**-**	**-**	**-**	**189**
Due from other financial institutions	**3,633**	**2,985**	**-**	**-**	**-**	**-**	**648**
Trading securities	**9,466**	**2,684**	**18**	**496**	**2,218**	**4,050**	**-**
Derivative financial instruments	**14,294**	**-**	**-**	**-**	**-**	**-**	**14,294**
Available-for-sale assets	**411**	**94**	**72**	**122**	**-**	**-**	**123**
Net loans and advances	**93,613**	**68,355**	**5,115**	**7,974**	**7,680**	**3,900**	**589**
Other financial assets	**868**	**66**	**4**	**7**	**14**	**6**	**771**
Total financial assets	**124,740**	**76,450**	**5,209**	**8,599**	**9,912**	**7,956**	**16,614**
Liabilities							
Due to other financial institutions	**12,247**	**11,774**	**-**	**-**	**-**	**62**	**411**
Deposits and other borrowings	**69,238**	**45,869**	**11,227**	**4,427**	**1,080**	**1,517**	**5,118**
Derivative financial instruments	**14,178**	**-**	**-**	**-**	**-**	**-**	**14,178**
Payables and other financial liabilities	**1,995**	**24**	**-**	**-**	**2**	**189**	**1,780**
Bonds and notes	**18,472**	**6,960**	**-**	**2,110**	**4,348**	**5,054**	**-**
Term funding	**1,766**	**1,766**	**-**	**-**	**-**	**-**	**-**
Loan capital	**1,988**	**-**	**250**	**903**	**835**	**-**	**-**
Total financial liabilities	**119,884**	**66,393**	**11,477**	**7,440**	**6,265**	**6,822**	**21,487**
Hedging instruments	**-**	**(3,707)**	**6,748**	**(4,850)**	**680**	**1,129**	**-**
Interest sensitivity gap	**4,856**	**6,350**	**480**	**(3,691)**	**4,327**	**2,263**	**(4,873)**

30/09/2010				**ANZ New Zealand**			
$ millions	**Total**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**Beyond 2 years**	**Not bearing interest**
Assets							
Liquid assets	2,239	2,079	-	-		-	160
Due from other financial institutions	3,496	1,932	-	-	-	-	1,564
Trading securities	6,757	836	26	133	1,536	4,226	-
Derivative financial instruments	10,854	-	-	-	-	-	10,854
Available-for-sale assets	2,151	703	1,061	246	23	40	78
Net loans and advances	96,015	61,639	5,549	10,208	12,313	5,688	618
Other financial assets	940	87	-	-	-	-	853
Total financial assets	122,452	67,276	6,636	10,587	13,872	9,954	14,127
Liabilities							
Due to other financial institutions	12,293	10,809	-	-	-	25	1,459
Deposits and other borrowings	70,295	43,695	13,224	6,414	1,000	998	4,964
Derivative financial instruments	10,727	-	-	-	-	-	10,727
Payables and other financial liabilities	1,075	98	-	-	-	-	977
Bonds and notes	19,899	8,100	150	458	3,207	7,984	-
Term funding	1,766	1,766	-	-	-	-	-
Loan capital	2,407	-	630	350	592	835	-
Total financial liabilities	118,462	64,468	14,004	7,222	4,799	9,842	18,127
Hedging instruments	-	8,638	(2,239)	(2,671)	(9,252)	5,524	-
Interest sensitivity gap	3,990	11,446	(9,607)	694	(179)	5,636	(4,000)

Notes to the Financial Statements

30/09/2011 $ millions	NZ Branch Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Derivative financial instruments	**172**	**-**	**-**	**-**	**-**	**-**	**172**
Net loans and advances	**9,931**	**6,203**	**762**	**1,297**	**1,243**	**387**	**39**
Due from related entities	**338**	**338**	**-**	**-**	**-**	**-**	**-**
Total financial assets	**10,441**	**6,541**	**762**	**1,297**	**1,243**	**387**	**211**
Liabilities							
Due to other financial institutions	**10,011**	**10,011**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**117**	**-**	**-**	**-**	**-**	**-**	**117**
Payables and other financial liabilities	**71**	**-**	**-**	**-**	**-**	**-**	**71**
Due to subsidiary companies	**51**	**-**	**-**	**-**	**-**	**-**	**51**
Total financial liabilities	**10,250**	**10,011**	**-**	**-**	**-**	**-**	**239**
Hedging instruments	**-**	**3,263**	**(295)**	**(1,405)**	**(1,167)**	**(396)**	**-**
Interest sensitivity gap	**191**	**(207)**	**467**	**(108)**	**76**	**(9)**	**(28)**

30/09/2010 $ millions	NZ Branch Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Derivative financial instruments	500	-	-	-	-	-	500
Net loans and advances	10,059	4,784	832	1,536	2,073	813	21
Due from related entities	302	302	-	-	-	-	-
Other financial assets	3	-	-	-	-	-	3
Total financial assets	10,864	5,086	832	1,536	2,073	813	524
Liabilities							
Due to other financial institutions	10,481	10,481	-	-	-	-	-
Derivative financial instruments	142	-	-	-	-	-	142
Payables and other financial liabilities	70	-	-	-	-	-	70
Total financial liabilities	10,693	10,481	-	-	-	-	212
Hedging instruments	-	4,435	(30)	(1,679)	(2,052)	(674)	-
Interest sensitivity gap	171	(960)	802	(143)	21	139	312

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 2011 was $116 million (30/09/2010 $78 million). A 10 per cent reduction in the value of the available-for-sale equity securities at 30 September 2011 would have reduced equity by $12 million (30/09/2010 $8 million).

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.

Notes to the Financial Statements

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Net open position				
Australian dollar	**(3)**	20	**1**	2
Euro	**-**	(1)	**-**	-
Japanese yen	**-**	(2)	**-**	-
Pound sterling	**-**	1	**-**	-
US dollar	**2**	(3)	**-**	-
Total net open position	**(1)**	15	**1**	2

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.

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 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 2011 ANZ New Zealand was in compliance with all of the above scenarios.

Notes to the Financial Statements

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.

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Funding composition				
Customer deposits[1]				
New Zealand	**55,044**	52,183	**-**	-
Overseas	**6,950**	7,560	**-**	-
Total customer deposits	**61,994**	59,743	**-**	-
Wholesale funding				
Bonds and notes	**18,472**	19,899	**-**	-
Loan capital	**1,988**	2,407	**-**	-
Certificates of deposit	**2,454**	3,245	**-**	-
Commercial paper	**4,790**	7,307	**-**	-
Due to related entities	**-**	-	**51**	-
Term funding	**1,766**	1,766	**-**	-
Due to other financial institutions	**12,247**	12,293	**10,011**	10,481
Total wholesale funding	**41,717**	46,917	**10,062**	10,481
Total funding	**103,711**	106,660	**10,062**	10,481
Concentrations of funding by industry				
Households	**40,595**	37,968	**-**	-
Agriculture	**2,240**	1,993	**-**	-
Forestry, fishing and mining	**504**	527	**-**	-
Manufacturing	**2,464**	2,772	**-**	-
Entertainment, leisure and tourism	**668**	596	**-**	-
Finance and insurance	**48,801**	53,395	**10,062**	10,481
Retail trade	**690**	670	**-**	-
Wholesale trade	**873**	677	**-**	-
Business and property services	**3,281**	3,754	**-**	-
Transport and storage	**507**	620	**-**	-
Construction	**762**	731	**-**	-
Government and local authority	**1,347**	1,967	**-**	-
Other[2]	**979**	990	**-**	-
Total funding	**103,711**	106,660	**10,062**	10,481
Concentrations of funding by geography[3]				
New Zealand	**61,132**	59,983	**34**	-
Australia	**15,480**	14,326	**9,936**	9,445
United States	**14,198**	17,325	**-**	-
Europe	**7,776**	8,708	**-**	-
Other countries	**5,125**	6,318	**92**	1,036
Total funding	**103,711**	106,660	**10,062**	10,481

1 Represents term deposits, demand deposits bearing interest, deposits not bearing interest and secured debenture stock.
2 Other includes exposures to electricity, gas and water, communications and personal services.
3 Funding of ANZ New Zealand via ANZ National (Int'l) Limited is classified as either from the United States or Europe, as the company conducts overseas funding activities through its London branch.

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

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

Notes to the Financial Statements

of new wholesale funding within a short time period. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning
Under the normal business conditions scenario, borrowing capacity is an estimate of the amount of funding that can be raised in the wholesale markets in normal market conditions. 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 ratified by ANZ New Zealand's senior management. The plan is supplemented by monthly updates and is linked to ANZ New Zealand's three year strategic planning cycle.

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 liquidity policy.

Total liquidity portfolio	**ANZ New Zealand**		**NZ Branch**	
$ millions	**30/09/2011**	30/09/2010	**30/09/2011**	30/09/2010
Balances with central banks	**1,765**	1,015	**-**	-
Securities purchased under agreement to resell	**992**	266	**-**	-
Certificates of deposit	**1,562**	687	**-**	-
Govt, local body stock and bonds	**4,329**	3,631	**-**	-
Government treasury bills	**169**	1,915	**-**	-
Other bonds	**3,269**	2,698	**-**	-
Total liquidity portfolio	**12,086**	10,212	**-**	-

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 are accepted as collateral by the RBNZ in repurchase transactions. At 30 September 2011 ANZ New Zealand would be eligible to enter into repurchase transactions with a value of $11,634 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 $4,963 million at 30 September 2011 (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.

Contractual maturity analysis of financial assets and liabilities
The tables below 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 and may differ to the amounts reported on the balance sheet.

The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which 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 the basis of the information below.

Notes to the Financial Statements

$ millions 30/09/2011	ANZ New Zealand Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	**2,455**	**2,455**	**-**	**-**	**-**	**-**	**-**
Due from other financial institutions	**3,641**	**972**	**2,669**	**-**	**-**	**-**	**-**
Trading securities	**10,220**	**-**	**1,797**	**851**	**6,984**	**588**	**-**
Derivative financial assets (trading)	**12,426**	**-**	**12,426**	**-**	**-**	**-**	**-**
Available-for-sale assets	**418**	**-**	**73**	**201**	**-**	**21**	**123**
Net loans and advances	**130,422**	**-**	**10,473**	**22,116**	**34,392**	**63,441**	**-**
Other financial assets	**525**	**-**	**494**	**11**	**14**	**6**	**-**
Total financial assets	**160,107**	**3,427**	**27,932**	**23,179**	**41,390**	**64,056**	**123**
Financial liabilities							
Due to other financial institutions	**13,549**	**726**	**2,412**	**2,074**	**8,275**	**62**	**-**
Deposits and other borrowings	**70,611**	**26,340**	**24,483**	**16,785**	**2,887**	**116**	**-**
Derivative financial liabilities (trading)	**12,574**	**-**	**12,574**	**-**	**-**	**-**	**-**
Other financial liabilities	**1,345**	**-**	**1,104**	**6**	**198**	**37**	**-**
Bonds and notes	**19,663**	**-**	**1,450**	**3,751**	**14,139**	**323**	**-**
Term funding	**1,841**	**-**	**19**	**1,822**	**-**	**-**	**-**
Loan capital	**3,135**	**-**	**40**	**120**	**797**	**1,005**	**1,173**
Total financial liabilities	**122,718**	**27,066**	**42,082**	**24,558**	**26,296**	**1,543**	**1,173**
Net financial assets / (liabilities)	**37,389**	**(23,639)**	**(14,150)**	**(1,379)**	**15,094**	**62,513**	**(1,050)**
Derivative financial instruments used for balance sheet management							
- gross inflows	**30,523**	**-**	**3,596**	**7,375**	**19,482**	**70**	**-**
- gross outflows	**(29,602)**	**-**	**(3,781)**	**(7,223)**	**(18,521)**	**(77)**	**-**
Net financial assets / (liabilities) after balance sheet management	**38,310**	**(23,639)**	**(14,335)**	**(1,227)**	**16,055**	**62,506**	**(1,050)**

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2011	ANZ New Zealand Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	**257**	**93**	**164**
Credit related commitments	**22,891**	**22,891**	**-**
Contingent liabilities	**2,805**	**2,805**	**-**
Total	**25,953**	**25,789**	**164**

Notes to the Financial Statements

$ millions 30/09/2010	ANZ New Zealand Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	2,239	2,239	-	-	-	-	-
Due from other financial institutions	3,496	457	2,956	83	-	-	-
Trading securities	7,991	-	924	396	6,501	170	-
Derivative financial assets (trading)	8,683	-	8,683	-	-	-	-
Available-for-sale assets	2,221	-	634	1,309	54	146	78
Net loans and advances	136,900	-	10,121	19,966	37,657	69,156	-
Other financial assets	490	-	469	4	11	6	-
Total financial assets	162,020	2,696	23,787	21,758	44,223	69,478	78
Liabilities							
Due to other financial institutions	13,802	690	2,048	2,132	8,932	-	-
Deposits and other borrowings	71,974	23,678	23,649	22,326	2,280	41	-
Derivative financial liabilities (trading)	9,013	-	9,013	-	-	-	-
Other financial liabilities	380	-	380	-	-	-	-
Bonds and notes	21,502	-	1,830	2,426	17,137	109	-
Term funding	1,849	-	21	1,828	-	-	-
Loan capital	3,781	-	48	144	960	1,445	1,184
Total financial liabilities	122,301	24,368	36,989	28,856	29,309	1,595	1,184
Net financial assets / (liabilities)	39,719	(21,672)	(13,202)	(7,098)	14,914	67,883	(1,106)
Derivative financial instruments used for balance sheet management							
- gross inflows	32,644	-	1,206	7,842	23,573	23	-
- gross outflows	(34,199)	-	(1,387)	(7,767)	(25,020)	(25)	-
Net financial assets / (liabilities) after balance sheet management	38,164	(21,672)	(13,383)	(7,023)	13,467	67,881	(1,106)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2010	ANZ New Zealand Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	303	108	195
Credit related commitments	20,845	20,845	-
Contingent liabilities	2,741	2,741	-
Total	23,889	23,694	195

Notes to the Financial Statements

$ millions 30/09/2011	Total	At call	Less than 3 months	NZ Branch 3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Net loans and advances	**17,762**	**-**	**375**	**507**	**2,472**	**14,408**	**-**
Due from related entities	**338**	**-**	**338**	**-**	**-**	**-**	**-**
Total financial assets	**18,100**	**-**	**713**	**507**	**2,472**	**14,408**	**-**
Financial liabilities							
Due to other financial institutions	**11,384**	**-**	**1,118**	**2,065**	**8,201**	**-**	**-**
Due to subsidiary companies	**51**	**-**	**51**	**-**	**-**	**-**	**-**
Total financial liabilities	**11,435**	**-**	**1,169**	**2,065**	**8,201**	**-**	**-**
Net financial assets / (liabilities)	**6,665**	**-**	**(456)**	**(1,558)**	**(5,729)**	**14,408**	**-**
Derivative financial instruments used for balance sheet management							
- gross inflows	**11,174**	**-**	**1,025**	**2,048**	**8,101**	**-**	**-**
- gross outflows	**(10,743)**	**-**	**(982)**	**(1,938)**	**(7,823)**	**-**	**-**
Net financial assets / (liabilities) after balance sheet management	**7,096**	**-**	**(413)**	**(1,448)**	**(5,451)**	**14,408**	**-**

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2011	Total	NZ Branch Less than 1 year	Beyond 1 year
Credit related commitments	**88**	**88**	**-**
Total	**88**	**88**	**-**

$ millions 30/09/2010	Total	At call	Less than 3 months	NZ Branch 3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Assets							
Net loans and advances	19,321	-	304	770	3,781	14,466	-
Due from related parties	302	-	302	-	-	-	-
Other financial assets	3	-	3	-	-	-	-
Total financial assets	19,626	-	609	770	3,781	14,466	-
Liabilities							
Due to other financial institutions	11,970	-	954	2,128	8,888	-	-
Derivative financial instruments (trading)	142	-	142	-	-	-	-
Other financial liabilities	3	-	3	-	-	-	-
Total financial liabilities	12,115	-	1,099	2,128	8,888	-	-
Net financial assets / (liabilities)	7,511	-	(490)	(1,358)	(5,107)	14,466	-
Derivative financial instruments used for balance sheet management							
- gross inflows	10,559	-	927	2,030	7,601	1	-
- gross outflows	(12,775)	-	(1,132)	(2,185)	(9,457)	(1)	-
Net financial assets / (liabilities) after balance sheet management	5,295	-	(695)	(1,513)	(6,963)	14,466	-

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2010	Total	NZ Branch Less than 1 year	Beyond 1 year
Credit related commitments	63	63	-
Total	63	63	**-**

Notes to the Financial Statements

31. 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 ending 30 September 2011 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.

32. Fair Value of Financial Assets and Financial Liabilities

	ANZ New Zealand						
$ millions	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair value
Carrying amount		Designated on initial recognition	Held for trading				
30/09/2011							
Liquid assets	**2,455**	**-**	**-**	**-**	**-**	**2,455**	**2,455**
Due from other financial institutions	**2,071**	**-**	**-**	**-**	**1,562**	**3,633**	**3,633**
Trading securities	**-**	**-**	**9,466**	**-**	**-**	**9,466**	**9,466**
Derivative financial instruments[1]	**-**	**-**	**13,634**	**660**	**-**	**14,294**	**14,294**
Available-for-sale assets	**-**	**-**	**-**	**-**	**411**	**411**	**411**
Net loans and advances[2]	**93,613**	**-**	**-**	**-**	**-**	**93,613**	**93,762**
Other financial assets	**771**	**97**	**-**	**-**	**-**	**868**	**868**
Total financial assets	**98,910**	**97**	**23,100**	**660**	**1,973**	**124,740**	**124,889**
Due to other financial institutions	**12,247**	**-**	**-**	**-**	**-**	**12,247**	**12,453**
Deposits and other borrowings	**64,448**	**4,790**	**-**	**-**	**-**	**69,238**	**69,343**
Derivative financial instruments[1]	**-**	**-**	**13,717**	**461**	**-**	**14,178**	**14,178**
Other financial liabilities	**1,995**	**-**	**-**	**-**	**-**	**1,995**	**1,995**
Bonds and notes[2]	**18,472**	**-**	**-**	**-**	**-**	**18,472**	**18,344**
Term funding	**1,766**	**-**	**-**	**-**	**-**	**1,766**	**1,766**
Loan capital	**1,988**	**-**	**-**	**-**	**-**	**1,988**	**1,922**
Total financial liabilities	**100,916**	**4,790**	**13,717**	**461**	**-**	**119,884**	**120,001**
30/09/2010							
Liquid assets	2,239	-	-	-	-	2,239	2,239
Due from other financial institutions	2,789	-	-	-	707	3,496	3,496
Trading securities	-	-	6,757	-	-	6,757	6,757
Derivative financial instruments[1]	-	-	10,094	760	-	10,854	10,854
Available-for-sale assets	-	-	-	-	2,151	2,151	2,151
Net loans and advances[2]	96,015	-	-	-	-	96,015	95,957
Other financial assets	853	87	-	-	-	940	940
Total financial assets	101,896	87	16,851	760	2,858	122,452	122,394
Due to other financial institutions	12,293	-	-	-	-	12,293	12,486
Deposits and other borrowings	62,988	7,307	-	-	-	70,295	70,362
Derivative financial instruments[1]	-	-	10,155	572	-	10,727	10,727
Other financial liabilities	1,075	-	-	-	-	1,075	1,075
Bonds and notes[2]	19,899	-	-	-	-	19,899	19,935
Term funding	1,766	-	-	-	-	1,766	1,766
Loan capital	2,407	-	-	-	-	2,407	2,361
Total financial liabilities	100,428	7,307	10,155	572	-	118,462	118,712

Notes to the Financial Statements

$ millions	NZ Branch						
	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	Total	Fair Value
Carrying amount		Designated on initial recognition	Held for trading				
30/09/2011							
Derivative financial instruments[1]	**-**	**-**	**172**	**-**	**-**	**172**	**172**
Net loans and advances[2]	**9,931**	**-**	**-**	**-**	**-**	**9,931**	**9,938**
Due from subsidiary companies	**338**	**-**	**-**	**-**	**-**	**338**	**338**
Total financial assets	**10,269**	**-**	**172**	**-**	**-**	**10,441**	**10,448**
Due to other financial institutions	**10,011**	**-**	**-**	**-**	**-**	**10,011**	**10,217**
Due to subsidiary companies	**51**	**-**	**-**	**-**	**-**	**51**	**51**
Derivative financial instruments[1]	**-**	**-**	**58**	**59**	**-**	**117**	**117**
Other financial liabilities	**71**	**-**	**-**	**-**	**-**	**71**	**71**
Total financial liabilities	**10,133**	**-**	**58**	**59**	**-**	**10,250**	**10,456**
30/09/2010							
Derivative financial instruments[1]	-	-	500	-	-	500	500
Net loans and advances[2]	10,059	-	-	-	-	10,059	10,081
Due from related entities	302	-	-	-	-	302	302
Other financial assets	3	-	-	-	-	3	3
Total financial assets	10,364	-	500	-	-	10,864	10,886
Due to other financial institutions	10,481	-	-	-	-	10,481	10,674
Derivative financial instruments[1]	-	-	72	70	-	142	142
Other financial liabilities	70	-	-	-	-	70	70
Bonds and notes[2]	1,516	-	-	-	-	1,516	1,545
Total financial liabilities	12,067	-	72	70	-	12,209	12,431

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.

Estimation of fair value

Liquid assets and due from / to other financial institutions
Where these financial instruments are short-term in nature, defined as those that reprice or mature in 90 days or less, or are receivable on demand, the carrying values are considered to approximate the fair values. When longer term in nature, fair value is based on quoted market prices, or for those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of that debt instrument.

Trading securities, derivative financial instruments and available for sale assets
Fair value is based on quoted market prices, broker or dealer price quotations. If this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

Net loans and advances
Fair value has been estimated through discounting future cash flows. For fixed rate loans and advances, the discount rate applied incorporates changes in wholesale market rates, ANZ New Zealand's cost of wholesale funding and movements in customer margin. For floating rate loans, only changes in wholesale market rates and ANZ New Zealand's cost of wholesale funding are incorporated in the discount rate. For variable rate loans where ANZ New Zealand sets the applicable rate at its discretion, the carrying value is considered to approximate the fair value.

Other financial assets / liabilities
Included in this category are accrued interest and fees receivable / payable. For these balances the carrying value is considered to approximate the fair values, as they are short term in nature or are receivable / payable on demand.

Deposits and other borrowings
For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows. The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

Certain items included in deposits and other borrowings have been designated as financial liabilities at fair value through profit or loss and are carried at fair value.

Notes to the Financial Statements

Bonds and notes, due to parent company and loan capital

The aggregate fair value of bonds and notes and loan capital is calculated based on quoted market prices. For those debt issues where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument is used.

Commitments and contingencies

Adjustments to fair value for commitments and contingencies that are not financial instruments recognised in the balance sheet are not included in this note.

Valuation hierarchy

In determining the carrying amount of financial instruments held at fair value ANZ New Zealand uses a valuation method within the following hierarchy:

"Level 1" - Quoted market price

Where an active market exists fair value is based on quoted market prices for identical financial instruments. The quoted market price is not adjusted for any potential impact that may be attributed to a large holding of the financial instrument.

"Level 2" - Valuation technique using observable inputs

In the event that there is no quoted market price for the instruments, fair values are based on present value estimates or other market accepted valuation techniques which include data from observable markets wherever possible.

"Level 3" - Valuation technique with significant non observable inputs

The majority of valuation techniques employ only observable market data. However, ANZ New Zealand holds some investments in unlisted funds or other investments which do not trade in an active market. For these instruments the fair value cannot be determined in whole with reference to current market transactions or valuation techniques whose variables only include data from observable markets. Where observable market data is not available, the fair value is determined using broker quotes or valuation techniques, including discounted cash flow analysis, using data derived and extrapolated from market data and tested against historic transactions and observed market trends.

Valuation technique	**ANZ New Zealand**				**NZ Branch**			
$millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30/09/2011								
Due from other financial institutions	**1,562**	**-**	**-**	**1,562**	**-**	**-**	**-**	**-**
Trading securities	**5,565**	**3,901**	**-**	**9,466**	**-**	**-**	**-**	**-**
Available-for-sale assets	**334**	**72**	**5**	**411**	**-**	**-**	**-**	**-**
Derivative financial instruments	**18**	**14,275**	**1**	**14,294**	**-**	**172**	**-**	**172**
Investments relating to insurance business	**27**	**70**	**-**	**97**	**-**	**-**	**-**	**-**
Total financial assets held at fair value	**7,506**	**18,318**	**6**	**25,830**	**-**	**172**	**-**	**172**
Commercial paper	**-**	**4,790**	**-**	**4,790**	**-**	**-**	**-**	**-**
Derivative financial instruments	**18**	**14,160**	**-**	**14,178**	**-**	**117**	**-**	**117**
Total financial liabilities held at fair value	**18**	**18,950**	**-**	**18,968**	**-**	**117**	**-**	**117**
30/09/2010								
Due from other financial institutions	707	-	-	707	-	-	-	-
Trading securities	3,630	3,127	-	6,757	-	-	-	-
Available-for-sale assets	1,990	42	119	2,151	-	-	-	-
Derivative financial instruments	3	10,851	-	10,854	-	500	-	500
Investments relating to insurance business	-	87	-	87	-	-	-	-
Total financial assets held at fair value	6,330	14,107	119	20,556	-	500	-	500
Commercial paper	-	7,307	-	7,307	-	-	-	-
Derivative financial instruments	35	10,692	-	10,727	-	142	-	142
Total financial liabilities held at fair value	35	17,999	-	18,034	-	142	-	142

Notes to the Financial Statements

Movements in level 3 valuations

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Opening balance	**119**	-	**-**	-
Acquired in a business combination	**-**	127	**-**	-
Purchases	**11**	-	**-**	-
Revaluations	**38**	38	**-**	-
Foreign exchange movements	**4**	(8)	**-**	-
Sales	**(166)**	(38)	**-**	-
Closing balance	**6**	119	**-**	-

33. Notes to the Cash Flow Statements

$ millions	ANZ New Zealand Year to 30/09/2011	ANZ New Zealand Year to 30/09/2010	NZ Branch Year to 30/09/2011	NZ Branch Year to 30/09/2010
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities				
Profit after income tax	**1,085**	867	**44**	94
Non-cash items:				
Depreciation and amortisation	**74**	71	**-**	-
Provision for credit impairment	**190**	456	**13**	20
Deferred fee revenue and expenses	**4**	(5)	**-**	-
Share-based payments expense	**22**	21	**-**	-
Amortisation of capitalised brokerage / mortgage origination fees	**42**	45	**9**	10
Deferrals or accruals of past or future operating cash receipts or payments:				
Change in net operating assets less liabilities	**1,431**	(2,528)	**(42)**	(177)
Change in interest receivable	**48**	6	**-**	-
Change in interest payable	**(16)**	(37)	**4**	26
Change in accrued income	**3**	(6)	**-**	-
Change in accrued expenses	**(56)**	54	**(1)**	1
Change in provisions	**(6)**	(63)	**-**	-
Amortisation of premiums and discounts	**109**	39	**-**	-
Change in insurance policy assets	**(62)**	(49)	**-**	-
Change in net income tax assets / liabilities	**213**	(235)	**(27)**	26
Items classified as investing / financing:				
Share of profit of associates and jointly controlled entities	**(2)**	(42)	**-**	-
Impairment of associates	**-**	7	**-**	-
Re-measuring existing equity interest to fair value	**-**	82	**-**	-
Gain on disposal of interests in associates	**(5)**	-	**-**	-
Loss on disposal and impairment of premises and equipment and intangibles	**8**	9	**-**	-
Net cash flows provided by / (used in) operating activities	**3,082**	(1,308)	**-**	-

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Reconciliation of cash and cash equivalents to the balance sheets				
Liquid assets	**2,455**	2,239	**-**	-
Due from other financial institutions - less than 90 days	**3,633**	1,339	**-**	-
Total cash and cash equivalents	**6,088**	3,578	**-**	-

Notes to the Financial Statements

34. Commitments

$ millions	ANZ New Zealand 30/09/2011	ANZ New Zealand 30/09/2010	NZ Branch 30/09/2011	NZ Branch 30/09/2010
Contracts for outstanding capital expenditure				
Not later than 1 year	**13**	17	**-**	**-**
Total capital expenditure commitments	**13**	17	**-**	**-**
Future minimum lease payments under non-cancellable operating leases				
Not later than 1 year	**80**	91	**-**	-
Later than 1 year but not later than 5 years	**135**	166	**-**	-
Later than 5 years	**29**	29	**-**	-
Total lease rental commitments	**244**	286	**-**	-
Total commitments	**257**	303	**-**	-

35. Credit Related Commitments and Contingent Liabilities

$ millions	ANZ New Zealand Face or contract value 30/09/2011	ANZ New Zealand Face or contract value 30/09/2010	NZ Branch Face or contract value 30/09/2011	NZ Branch Face or contract value 30/09/2010
Credit related commitments				
Commitments with certain drawdown due within one year	**527**	493	**-**	-
Commitments to provide financial services	**22,364**	20,352	**88**	63
Total credit related commitments	**22,891**	20,845	**88**	63
Contingent liabilities				
Financial guarantees	**1,753**	1,686	**-**	-
Standby letters of credit	**60**	60	**-**	-
Transaction related contingent items	**882**	898	**-**	-
Trade related contingent liabilities	**110**	97	**-**	-
Total contingent liabilities	**2,805**	2,741	**-**	-

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

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

36. Securitisation, Funds Management, Other Fiduciary Activities and Insurance

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.

As at 30 September 2011 the rights to cash flows associated with residential mortgages with a carrying value of $6,666 million (30/09/2010 $6,531 million) were held in this facility. These assets do not qualify for derecognition as the Bank retains substantially all of the risks and rewards of the transferred assets, therefore ANZ New Zealand's financial statements do not change as a result of establishing this facility.

As at 30 September 2011 and 30 September 2010 ANZ New Zealand had entered into no repurchase agreements with the RBNZ for residential mortgage backed securities and therefore no collateral had been accepted by the RBNZ under this facility.

The Covered Bond Trust

On 11 February 2011, as part of the establishment of the Bank's covered bond programme, the Covered Bond Trust was established. The assets of the Covered Bond Trust are made up of certain housing loans and related securities originated

Notes to the Financial Statements

by the Bank and 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 National (Int'l) Limited, from time to time.

As at 30 September 2011 the rights to cash flows associated with housing loans and related securities with a carrying value of $2,745 million were held in the Covered Bond Trust. The assets of the Covered Bond Trust do not qualify for derecognition as the Bank retains substantially all of the risks and rewards of the transferred assets. Therefore, the establishment of the covered bond programme and the Covered Bond Trust do not change ANZ New Zealand's financial statements.

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 bonds, unit trusts and the provision of private banking services to a number of clients. 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 2011, $2,500 million of funds under management were invested in ANZ New Zealand's own products or securities (30/09/2010 $2,888 million).

Aggregate value of funds managed by ANZ New Zealand

	ANZ New Zealand	
$ millions	**30/09/2011**	30/09/2010
Funds managed by OnePath	**6,709**	7,430
The Bonus Bonds Trust	**2,996**	2,973
Other discretionary funds	**5,016**	4,760
Totals funds under management	**14,721**	15,163

Custodial services

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

Provision of financial services

Financial services provided by ANZ New Zealand to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

Except for standard lending facilities provided in the normal course of business on arm's length terms, ANZ New Zealand has not provided any funding to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of ANZ New Zealand (30/09/2010 $nil).

Insurance business

ANZ New Zealand conducts an insurance business through OnePath Insurance Holdings (NZ) Limited and its subsidiaries ("OnePath Insurance"), the assets, liabilities and operations of which are fully consolidated into ANZ New Zealand. OnePath Insurance provides risk transfer and investment contract life insurance products. 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 insurance business conducted by OnePath Insurance comprises assets totalling $438 million (30/09/2010: $337 million), which is 0.3% (30/09/2010: 0.3%) of the total consolidated assets of ANZ New Zealand.

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.

In addition, the following measures have been taken to manage any risk to ANZ New Zealand of marketing and distributing insurance and funds management products:

Notes to the Financial Statements

- Investment statements, prospectuses and brochures for insurance products include disclosures that neither the Bank nor any member of ANZ New Zealand guarantees the insurer, the insurer's subsidiaries, or any of the products issued by the insurer or the insurer's subsidiaries.
- Investment statements, prospectuses and brochures of fund management products and insurance products subject to the Securities Act 1978 additionally include disclosures that:
  - the products do not represent deposits or other liabilities of the entities within ANZ New Zealand;
  - the products are subject to investment risk, including possible loss of income and principal; and
  - entities within ANZ New Zealand do not guarantee the capital value or performance of the products.
- Application forms for insurance and fund management products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures noted above.

37. Subsequent Events

On 20 October 2011 ANZ National (Int'l) Limited, a wholly owned subsidiary of the Bank, issued fixed rate covered bonds with a face value of EUR 500 million, a coupon rate of 3.0% and a maturity date of 20 October 2016. The covered bonds are guaranteed by ANZNZ Covered Bond Trust Limited as trustee of the Covered Bond Trust under the terms of the Bank's covered bond programme. 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. Refer to note 36 for further details of the covered bond programme.

There have been no other material subsequent events.

38. Additional Disclosures

Overseas Banking Group profitability and size

AUD millions	**30/09/2011**
Net profit after tax for the year[1]	**5,363**
Net profit after tax for the year as a percentage of average total assets	**0.95%**
Total assets	**594,488**
Percentage change in total assets over the preceding year	**11.8%**

[1] Net profit after tax for the year includes $8m of profit attributable to non-controlling interests.

Overseas Banking Group asset quality

AUD millions	**30/09/2011**
Gross impaired assets	**5,581**
Gross impaired assets as a percentage of total assets	**0.94%**
Total individually assessed provisions for impairment	**1,697**
Individually assessed provisions for impairment as a percentage of gross impaired assets	**30.4%**
Collective provision for credit impairment	**3,176**

Directorate and Auditors

The address to which any document or communication may be sent to any Director or the Chief Executive Officer – NZ Branch is Australia and New Zealand Banking Group Limited – New Zealand Branch, Level 6, 1 Victoria Street, Wellington, New Zealand. 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 29 November 2011

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

John Powell Morschel
DipQS, FAICD
Company Director
Sydney, Australia

Mr Morschel is an ex-officio member of all Board Committees.

External Directorships
Director: CapitaLand Limited and Tenix Group Pty Limited.

Chief Executive Officer – Australia and New Zealand Banking Group Limited

Michael Roger Pearson Smith, OBE
BSc (Hons)
Chief Executive Officer and Executive Director
Melbourne, Australia

External Directorships
Director: The Financial Markets Foundation for Children, and The Institute of International Finance.

Member: Chongqing Mayor's International Economic Advisory Council, Australian Bankers' Association Incorporated, Asia Business Council, Financial Literacy Advisory Board, Shanghai International Financial Advisory Council, and the Business Council of Australia.
Fellow: The Hong Kong Management Association.

Non-Executive Directors

Dr Gregory John Clark
BSc (Hons), PhD, FAPS, FTSE
Company Director
Based in New York, United States of America and also resides in Sydney, Australia

Directorate and Auditors

Dr Clark is Chair of the Technology Committee and a member of the Risk Committee and Human Resources Committee.

External Directorships
Chairman: KaComm Communications Pty Limited.

Peter Algernon Franc Hay
LLB (Melb), FAICD
Company Director
Melbourne, Australia

Mr Hay is Chair of the Governance Committee and a member of the Audit Committee and Human Resources Committee.

External Directorships
Chairman: Lazard Pty Ltd Advisory Board.
Director: Alumina Limited, Landcare Australia Limited, GUD Holdings Limited, NBN Co Limited and Myer Holdings Limited.
Member: Takeovers Panel.

Lee Hsien Yang
MSc, BA
Company Director
Singapore

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

External Directorships
Chairman: Fraser & Neave, Limited, Asia Pacific Investments Pte Ltd, and Civil Aviation Authority of Singapore.
Director: Singapore Exchange Limited, The Islamic Bank of Asia Limited, and Kwa Geok Choo Pte Ltd.
Member: Governing Board of Lee Kuan Yew School of Public Policy and Rolls Royce International Advisory Council.
Consultant: Capital International Inc Advisory Board.

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, Leighton Holdings Limited, and Lowy Institute for International Policy.
Member: Council of International Advisors to the China Banking Regulatory Commission, International Advisory Board of Goldman Sachs JB Were, and International Advisory Board of CHAMP Private Equity.

David Edward Meiklejohn, AM
BCom, Dip Ed, FCPA, FAICD, FAIM
Company Director
Melbourne, Australia

Mr Meiklejohn is Chair of the Audit Committee and a member of the Technology Committee and Risk Committee.

External Directorships
Director: Coca Cola Amatil Limited and Mirrabooka Investments Limited.

Alison Mary Watkins
BCom, FCA, F Fin, FAICD
Chief Executive Officer – GrainCorp Limited.
Melbourne, Australia

Ms Watkins is Chair of the Human Resources Committee and a member of the Audit Committee and Governance Committee.

External Directorships
Director: The Nature Conservancy Australian Advisory Board.
Member: Takeovers Panel.

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

LLB (Hons) / BA
Chief Executive Officer– NZ Branch
Wellington, New Zealand

Directorate and Auditors

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 2011. These Conditions of Registration have applied from 30 September 2011.

Since issuance of the last Disclosure Statement dated 19 August 2011 the RBNZ has issued revised conditions of registration for the NZ Branch. Condition 2 has changed to incorporate a new definition of insurance business, and the definition of "generally accepted accounting practice" has been moved to the end of the conditions. None of the changes change the intent of the conditions.

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 purpose 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 business of Australia and New Zealand Banking Group Limited.

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) tier one capital of the Australia and New Zealand Banking Group Limited is not less than 4 percent of risk weighted exposures;
   b) 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 National Bank 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 may not incur any liabilities except:
   a) to the government of New Zealand in respect of taxation and other charges; and
   b) to other branches or the head office of the registered bank; and
   c) to trade creditors and staff; and
   d) to ANZ National 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:

Conditions of Registration

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in the 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" 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" has the same meaning as in section 2 of the Financial Reporting Act 1993.

Directors' and New Zealand Chief Executive Officer's Statement

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

i. The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 3) 2011;

ii. The Disclosure Statement is not false or misleading.

Each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes, after due enquiry, that, over the year ended 30 September 2011:

i. The registered bank has complied with all the conditions of registration;

ii. ANZ New Zealand had systems in place to monitor and control adequately ANZ New Zealand's material risks, 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 29 November 2011, and has been signed by the Chairman of the Ultimate Parent Bank as agent for all Directors and by the Chief Executive Officer – NZ Branch.

J P Morschel
Chairman

F J Brown
Chief Executive Officer – NZ Branch

Independent Auditor's Report

To the Directors of Australia and New Zealand Banking Group Limited – New Zealand Branch

Report on the NZ Branch and ANZ New Zealand Disclosure Statement (excluding Supplementary Information relating to Credit and Market Risk Exposures and Capital Adequacy)

We have audited the accompanying Disclosure Statement and supplementary information (excluding the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy disclosed in note 29) of Australia and New Zealand Banking Group Limited – New Zealand Branch (the "NZ Branch") and its related entities (the "ANZ New Zealand") on pages 5 to 73. The Disclosure Statement comprises the balance sheets as at 30 September 2011, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the 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 (No 3) 2011 (the "Order").

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order, generally accepted accounting practice in New Zealand, and International Financial Reporting Standards and that gives 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 Disclosure Statement that is 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 supplementary information (excluding the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy disclosed in note 29), disclosed in accordance with Schedules 4, 7, 10, 11, and 13 of the Order and presented to us by the Directors. 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 Disclosure Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Disclosure Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Disclosure Statement, 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 Disclosure Statement 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 Disclosure Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has provided other services to the NZ Branch and ANZ New Zealand in relation to audit related services. 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 business of the ANZ New Zealand. These matters have not impaired our independence as auditors of the NZ Branch and ANZ New Zealand. The firm has no other relationship with, or interest in, the NZ Branch or ANZ New Zealand.

Opinion

In our opinion the Disclosure Statement of Australia and New Zealand Banking Limited – New Zealand Branch and its related entities ("the NZ Branch" and "ANZ New Zealand") on pages 5 to 73 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 10, 11 and 13 of the Order):

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and
- gives a true and fair view of the financial position as at 30 September 2011 and of their financial performance and cash flows for the year ended on that date.

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

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 14, 30, 31, 36 and 38 of the Disclosure Statement:

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the NZ Branch and ANZ New Zealand; and
- presents fairly, in all material respects, the matters to which it relates, in accordance with those Schedules.

Report on Other Legal and Regulatory Requirements (excluding Supplementary Information relating to Credit and Market Risk Exposures and Capital Adequacy)

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, and clauses 2(d) and 2(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the NZ Branch and ANZ New Zealand, as far as appears from our examination of those records.

Report on the 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 29 of the Disclosure Statement for the year ended 30 September 2011.

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 and prepared in accordance with the Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A), and described in note 29 of the Disclosure Statement.

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 Standards issued by the New Zealand Institute of Chartered Accountants.

We are responsible for reviewing the disclosures in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects:

- prepared in accordance with Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order

and for reporting our findings to you.

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

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, disclosed in note 29 of the Disclosure Statement, is not prepared and disclosed, in all material respects, in accordance with:

- the Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A); and
- Schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 3) 2011.

KPMG

Wellington

29 November 2011

Index