ANZ NEW ZEALAND (INT'L) LIMITED
ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand.

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Company has agreed that the Annual Report of the Company need not comply with any of the paragraphs (e) to (h) and (j) of subsection (1) and subsection (2) of section 211.

Management Report

Nature of Business

The Company provides funding facilities and wholesale funding to its parent company, ANZ Bank New Zealand Limited (the Parent Company) including the issuance of U.S. Commercial Paper, Euro-Commercial Paper, U.S. Medium-Term Notes, Euro Medium-Term Notes and Covered Bonds. The Company's overseas activities are currently conducted through its London Branch. The Company has no subsidiaries.

There have not been any material changes in the nature of the Company's business during the year.

Business Review

The movement in the Company's total assets from $20,824 million as at 30 September 2015 to $21,317 million as at 30 September 2016 has been driven primarily by an increased funding requirement from its parent entity.

The movement includes:

NZ$m	Debt Issuances	Commercial Paper	Total
Issuances	6,255	15,541	21,796
Maturities	(3,378)	(14,208)	(17,586)
Net issuances	2,877	1,333	4,210
Foreign exchange revaluation	(2,748)	(938)	(3,686)
Movement	129	395	524

Net interest income was $6 million for the year to 30 September 2016 (2015: $7 million).

Principal Risks and Uncertainties

The Company expects minimal change to principal risks and uncertainties over the next year.

The Company's exposure to risk arises from the Company's operations as a financial intermediary and participant in the financial markets. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting, and risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

The Company carries minimal interest rate, liquidity and currency risk reflecting the Company's role as a financial intermediary. The Company's principal credit risk exposure continues to be to the Parent Company. Operational risk is managed through a comprehensive infrastructure of effective policies, procedures, businesses systems and compliance.

Other Information

- No important events have occurred since the end of the financial year.
- No significant changes are planned to the future operations of the Company.
- The Company is not involved in research and development.
- The Company has not acquired any of its own shares.
- The Company only operates through its London branch.

Directors

There have been no changes to the Directors of the Company since 30 September 2015.

Responsibility Statement

As at the date on which this Responsibility Statement is signed, after due enquiry and to the best of their knowledge, the Directors confirm that:

(a) the financial statements, prepared in accordance with New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) the management report of the Company includes a fair review of the development and performance of the business and the position of the Company and the principal risks and uncertainties that it faces.

For and on behalf of the Board of Directors:

Anthony Bradshaw
Director
16 November 2016

Antonia Watson
Director
16 November 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 30/09/2016 NZ$m	Year to 30/09/2015 NZ$m
Interest income	6	281	260
Interest expense	2	275	253
Profit before income tax		6	7
Income tax expense	3	2	2
Profit after income tax		4	5

There are no items of other comprehensive income.

STATEMENT OF CHANGES IN EQUITY

	Note	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2014		5	5
Profit after income tax		5	5
Ordinary dividend paid	8	(5)	(5)
As at 30 September 2015		5	5
Profit after income tax		4	4
Ordinary dividend paid	8	(4)	(4)
As at 30 September 2016		5	5

BALANCE SHEET

	Note	30/09/2016 NZ$m	30/09/2015 NZ$m
Assets			
Due from the Parent Company	6	21,317	20,824
Total assets		21,317	20,824
Liabilities			
Accrued interest payable		60	91
Commercial paper	4	5,358	4,963
Current tax liabilities		1	1
Debt issuances	5	15,893	15,764
Total liabilities		21,312	20,819
Net assets		5	5
Equity			
Retained profits		5	5
Total equity	8	5	5

For and on behalf of the Board of Directors:

Anthony Bradshaw
Director
16 November 2016

Antonia Watson
Director
16 November 2016

CASH FLOW STATEMENT

	Year to 30/09/2016 NZ$m	Year to 30/09/2015 NZ$m
Cash flows from operating activities		
Interest received	312	267
Interest paid	(306)	(260)
Tax paid	(2)	(2)
Net cash flows provided by operating activities	4	5
Cash flows from investing activities		
Decrease / (increase) in due from the Parent Company	(4,210)	668
Net cash flows provided by / (used in) investing activities	(4,210)	668
Cash flows from financing activities		
Proceeds from debt issuances	6,255	3,337
Increase / (decrease) in due to other related parties	-	(179)
Increase / (decrease) in commercial paper	1,333	(494)
Redemption of debt issuances	(3,378)	(3,511)
Dividends paid	(4)	(5)
Net cash flows provided by / (used in) financing activities	4,206	(852)
Net increase / (decrease) in cash and cash equivalents	-	(179)
Cash and cash equivalents at beginning of the year	-	179
Cash and cash equivalents at end of the year	-	-

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	4	5
Adjustments		
Change in accrued interest receivable	31	7
Change in accrued interest payable	(31)	(7)
Net cash flows provided by operating activities	4	5

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, and comply with:

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

The ultimate parent company is Australia and New Zealand Banking Group Limited (the Ultimate Parent).

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(ii) Use of estimates and assumptions

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

(iii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Rounding

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

(v) Changes in accounting policies

There have been no changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(vi) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the statement of comprehensive income in the period in which they arise.

(b) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(c) Income tax

(i) Income tax expense

Income tax on profits for the period comprises current and deferred tax. It is recognised in the statement of comprehensive income as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

(ii) Current tax

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

(d) Recognition and derecognition of financial assets and financial liabilities

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper, amounts due to related parties and debt issuances.

The Company recognises a financial asset or liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets and financial liabilities are initially recognised at fair value including directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Derecognition

The Company derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Company derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(e) Presentation

(i) Offsetting of income and expenses

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

- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;

NOTES TO THE FINANCIAL STATEMENTS

- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

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

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

(iii) Cash flow statement

Cash and cash equivalents comprise cash at bank.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and immediately lent to the Parent Company. These cash flows are high volume and short term in nature and include commercial paper and related party balances.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

As the principal activity of the Company is the raising of external funding, which is on-lent to the Parent Company at a margin, and the majority of its revenue is not earned from external customers, the Company does not have any reportable segments.

(f) Other

(i) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

NZ IFRS 9 Financial Instruments (effective for periods commencing after 1 January 2018)

Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

2. INTEREST EXPENSE

	Year to 30/09/2016 NZ$m	Year to 30/09/2015 NZ$m
Commercial paper	44	15
Debt issuances	231	238
Total interest expense	275	253

3. INCOME TAX

	Year to 30/09/2016 NZ$m	Year to 30/09/2015 NZ$m
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	6	7
Prima facie income tax at 28%	2	2
Total income tax expense	2	2
Amounts recognised in the statement of comprehensive income		
Current tax	2	2
Total income tax expense recognised in the statement of comprehensive income	2	2

4. COMMERCIAL PAPER

	30/09/2016 NZ$m	30/09/2015 NZ$m
U.S. commercial paper	4,516	4,844
Euro commercial paper	842	119
Total commercial paper	5,358	4,963

Commercial paper issued is guaranteed by the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS

5. DEBT ISSUANCES

	30/09/2016 NZ$m	30/09/2015 NZ$m
U.S. medium term notes	6,883	6,831
Euro medium term notes	2,792	3,598
Covered bonds	6,218	5,335
Total debt issuances	15,893	15,764

Debt issuances are guaranteed by the Parent Company. Debt issuances, other than covered bonds, are unsecured and rank equally with other unsecured liabilities.

Covered Bonds

Substantially all of the assets of the ANZNZ Covered Bond Trust (the Trust) are made up of certain housing loans and related securities originated by the Parent Company which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Trust of issuances of covered bonds by the Company, or the Parent Company, from time to time. The assets of the Trust are not available to creditors of the Company or the Parent Company, although the Company or the Parent Company (or its liquidator or statutory manager) may have a claim against the residual assets of the Trust (if any) after all prior ranking creditors of the Trust have been satisfied.

6. RELATED PARTY TRANSACTIONS

Transactions with other related parties

The Company undertakes transactions with the Parent Company and other members of the Australia and New Zealand Banking Group Limited group of companies (ANZ Group). These transactions principally consist of funding transactions. Other members of the ANZ Group provide administrative functions, including remuneration of key management personnel, to the Company for which no payments have been made.

All interest income is from the Parent Company. Audit fees and fees for other services have been paid to the auditors by the Parent Company without reimbursement.

	Year to 30/09/2016 NZ$000	Year to 30/09/2015 NZ$000
Audit or review of financial statements	38	37
Other services:		
Review of offer documents	96	143
Other assurance services	16	33
Total other services	112	176
Total fees paid to auditors by the Parent Company	150	213

Balances with related parties

Cash at bank comprises short term deposits with the Parent Company.

Amounts due from the Parent Company are lent on similar terms as the underlying funding raised.

Amounts due to other related parties are guaranteed by the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS

7. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	30/09/2016			30/09/2015		
	within one year NZ$m	after more than one year NZ$m	Total NZ$m	within one year NZ$m	after more than one year NZ$m	Total NZ$m
Assets						
Due from Parent Company	8,384	12,933	21,317	9,451	11,373	20,824
Liabilities						
Debt issuances	2,960	12,933	15,893	4,391	11,373	15,764

8. EQUITY

Capital management policies

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide funding for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital comprises issued share capital and retained earnings. The Company's dividend policy is to distribute all retained profits to the Parent Company.

Ordinary share capital

The Company's share capital consists of 500,000 (2015: 500,000) fully paid ordinary shares that have the rights and powers prescribed by Section 36 of the Companies Act 1993. The shares have a carrying value of $499,900.

The dividend on ordinary shares was $8.61 per share (2015: $9.00 per share).

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT

Financial instruments are entered into by the Company in its operations as a financial intermediary. The Company's operations are matched funded to minimise interest rate, currency and liquidity risks.

There are no material off balance sheet instruments. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting. Risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

The Company's principal exposure is to the Parent Company and the carrying amount represents the Company's maximum and net exposure to credit risk.

Market risk

Interest rate risk

The following tables represent the interest rate sensitivity of the Company's assets and liabilities by showing the periods in which these instruments may reprice (that is, when interest rates applicable to each asset or liability can be changed). The repricing gaps are based on contractual repricing information.

30/09/2016	Carrying value NZ$m	At call or less than 3 months NZ$m	3-6 months NZ$m	6-12 months NZ$m	1-5 years NZ$m	Non interest bearing NZ$m
Financial assets						
Due from the Parent Company	21,317	6,108	1,799	813	12,527	70
Total financial assets	21,317	6,108	1,799	813	12,527	70
Financial liabilities						
Accrued interest payable	60	-	-	-	-	60
Commercial paper	5,358	3,431	1,802	125	-	-
Debt issuances	15,893	2,678	-	688	12,527	-
Total financial liabilities	21,311	6,109	1,802	813	12,527	60
Net repricing profile	6	(1)	(3)	-	-	10

30/09/2015						
Financial assets						
Due from the Parent Company	20,824	8,385	2,284	-	10,059	96
Total financial assets	20,824	8,385	2,284	-	10,059	96
Financial liabilities						
Accrued interest payable	91	-	-	-	-	91
Commercial paper	4,963	4,114	849	-	-	-
Debt issuances	15,764	4,268	1,437	-	10,059	-
Total financial liabilities	20,818	8,382	2,286	-	10,059	91
Net repricing profile	6	3	(2)	-	-	5

Currency risk

Currency risk arises from changes in foreign exchange rates impacting on residual currency positions that may result from the Company's business as a financial intermediary.

Currency risk is monitored in terms of open positions to each currency, based on nominal value and the duration of each exposure. The total amount of foreign currency exposures, whether recognised or unrecognised, within each currency is not material.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. Liquidity risk arises from mismatch in the final maturity of on-balance sheet assets and liabilities plus settlement of off-balance sheet activities.

The following maturity analysis of assets and liabilities has been prepared on the basis of the remaining period to contractual maturity as at balance date. The amounts represent principal and interest cash flows and may differ to the amounts reported on the balance sheet.

30/09/2016	Total NZ$m	Less than 3 months NZ$m	3-12 months NZ$m	1-5 years NZ$m	Beyond 5 years NZ$m	No specified maturity NZ$m
Assets						
Due from the Parent Company	22,039	3,055	5,530	10,337	3,117	-
Total financial assets	22,039	3,055	5,530	10,337	3,117	-
Liabilities						
Commercial paper	5,376	1,054	4,322	-	-	-
Debt issuances	16,637	1,995	1,204	10,323	3,115	-
Total financial liabilities	22,013	3,049	5,526	10,323	3,115	-
Net liquidity gap	26	6	4	14	2	-
30/09/2015						
Assets						
Due from the Parent Company	21,436	5,188	4,399	10,455	1,394	-
Total financial assets	21,436	5,188	4,399	10,455	1,394	-
Liabilities						
Commercial paper	4,966	2,985	1,981	-	-	-
Debt issuance	16,448	2,197	2,414	10,444	1,393	-
Total financial liabilities	21,414	5,182	4,395	10,444	1,393	-
Net liquidity gap	22	6	4	11	1	-

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

- for accrued interest payable, the carrying amount is equivalent to the fair value.
- for all other financial assets and financial liabilities, estimated fair values are based on market rates.

	30/09/2016 Carrying amount NZ$m	Fair value NZ$m	30/09/2015 Carrying amount NZ$m	Fair value NZ$m
Financial assets				
Due from the Parent Company	21,317	21,548	20,824	21,014
Total financial assets	21,317	21,548	20,824	21,014
Financial liabilities				
Accrued interest payable	60	60	91	91
Commercial paper	5,358	5,364	4,963	4,964
Debt issuances	15,893	16,118	15,764	15,953
Total financial liabilities	21,311	21,542	20,818	21,008

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ANZ New Zealand (Int'l) Limited

We have audited the accompanying financial statements of ANZ New Zealand (Int'l) Limited (the Company) on pages 2 to 10. The financial statements comprise the balance sheet as at 30 September 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Directors' responsibility for the financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the Company in relation to prospectus reviews and assurance services. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with, or interest in, the Company.

Opinion

In our opinion the financial statements on pages 2 to 10 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of ANZ New Zealand (Int'l) Limited as at 30 September 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

Wellington
16 November 2016