ANZ NEW ZEALAND (INT'L) LIMITED
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

MANAGEMENT REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Nature of Business

ANZ New Zealand (Int'l) Limited (the Company) is incorporated in New Zealand under the Companies Act 1993. Its registered office is, Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand. The ultimate parent company is Australia and New Zealand Banking Group Limited (the Ultimate Parent), which is incorporated in Victoria, Australia.

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 $21,317 million as at 30 September 2016 to $21,263 million as at 30 September 2017 has been driven primarily by a decreased funding requirement from the Parent Company.

The movement in funding includes:

NZ$m	Debt Issuances	Commercial Paper	Total
Issuances	4,097	8,040	12,137
Maturities	(2,964)	(9,698)	(12,662)
Net issuances	1,133	(1,658)	(525)
Foreign exchange revaluation	476	19	495
Movement	1,609	(1,639)	(30)

Net interest income was $7 million for the year to 30 September 2017 (2016: $6 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

Antonia Watson has taken up the position of Managing Director Retail and Business Banking with the Parent Company and resigned as a Director of the Company on 17 February 2017. Stewart Taylor was appointed as a Director of the Company on 17 February 2017.

There have been no other changes to the Directors of the Company since 30 September 2016.

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
15 November 2017

Stewart Taylor
Director
15 November 2017

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 30/09/2017 NZ$m	Year to 30/09/2016 NZ$m
Interest income	6	315	281
Interest expense	2	308	275
Profit before income tax		7	6
Income tax expense	3	2	2
Profit after income tax		5	4

There are no items of other comprehensive income.

BALANCE SHEET

	Note	30/09/2017 NZ$m	30/09/2016 NZ$m
Assets			
Due from the Parent Company	6	21,263	21,317
Total assets		21,263	21,317
Liabilities			
Accrued interest payable		36	60
Commercial paper	4	3,719	5,358
Current tax liabilities		1	1
Debt issuances	5	17,502	15,893
Total liabilities		21,258	21,312
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
15 November 2017

Stewart Taylor
Director
15 November 2017

CASH FLOW STATEMENT

	Year to 30/09/2017 NZ$m	Year to 30/09/2016 NZ$m
Cash flows from operating activities		
Interest received	339	312
Interest paid	(332)	(306)
Tax paid	(2)	(2)
Net cash flows provided by operating activities	5	4
Cash flows from investing activities		
Decrease / (increase) in due from the Parent Company	525	(4,210)
Net cash flows provided by / (used in) investing activities	525	(4,210)
Cash flows from financing activities		
Proceeds from debt issuances	4,097	6,255
Increase / (decrease) in commercial paper	(1,658)	1,333
Redemption of debt issuances	(2,964)	(3,378)
Dividends paid	(5)	(4)
Net cash flows provided by / (used in) financing activities	(530)	4,206
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	5	4
Adjustments		
Change in accrued interest receivable	24	31
Change in accrued interest payable	(24)	(31)
Net cash flows provided by operating activities	5	4

STATEMENT OF CHANGES IN EQUITY

	Note	Retained earnings NZ$m	Total equity NZ$m
As at 1 October 2015		5	5
Profit after income tax		4	4
Ordinary dividend paid	8	(4)	(4)
As at 30 September 2016		5	5
Profit after income tax		5	5
Ordinary dividend paid	8	(5)	(5)
As at 30 September 2017		5	5

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Tax Administration Act 1994 (New Zealand), The Overseas Companies Regulations 2009 and the Disclosure and Transparency Rules issued by the United Kingdom Financial Conduct Authority (United Kingdom), 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 for-profit entities
- International Financial Reporting Standards (IFRS).

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

(ii) Use of estimates and assumptions

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

(iii) Basis of measurement

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

(iv) Rounding

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

(v) Changes in accounting policies

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

(vi) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

(b) Income and expense recognition

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

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

(c) Income tax

(i) Income tax expense

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

(ii) Current tax

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

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

(i) Recognition

Financial assets include amounts due from the Parent Company. Financial liabilities include commercial paper 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)

NZ IFRS 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks.

2. INTEREST EXPENSE

	Year to 30/09/2017 NZ$m	Year to 30/09/2016 NZ$m
Commercial paper	51	44
Debt issuances	257	231
Total interest expense	308	275

3. INCOME TAX

	Year to 30/09/2017 NZ$m	Year to 30/09/2016 NZ$m
Reconciliation of the prima facie income tax payable on profit		
Profit before income tax	7	6
Prima facie income tax at 28%	2	2
Total income tax expense	2	2
Amounts recognised in the statement of comprehensive income		
Current tax	2	2
Total income tax expense recognised in the statement of comprehensive income	2	2

NOTES TO THE FINANCIAL STATEMENTS

4. COMMERCIAL PAPER

	30/09/2017 NZ$m	30/09/2016 NZ$m
U.S. commercial paper	3,654	4,516
Euro commercial paper	65	842
Total commercial paper	3,719	5,358

Commercial paper issued is guaranteed by the Parent Company.

5. DEBT ISSUANCES

	30/09/2017 NZ$m	30/09/2016 NZ$m
U.S. medium term notes	9,004	6,883
Euro medium term notes	3,173	2,792
Covered bonds	5,325	6,218
Total debt issuances	17,502	15,893

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 30/09/2017 NZ$000	Year to 30/09/2016 NZ$000
Audit or review of financial statements	38	38
Other services:		
Review of offer documents	130	96
Other assurance services	16	16
Total other services	146	112
Total fees paid to auditors by the Parent Company	184	150

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.

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.

	30/09/2017			30/09/2016		
	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	6,456	14,807	21,263	8,384	12,933	21,317
Liabilities						
Debt issuances	2,695	14,807	17,502	2,960	12,933	15,893

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 (2016: 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 $8.45 per share (2016: $8.61 per share).

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

Interest rate risk relates to the potential adverse impact of changes in market interest rates on future net interest income of the Company.

The Company manages its interest rate risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company. As a result a 1% rate shock would not have any impact on profit or loss.

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 the Company is unable to meet its payment obligations on commercial paper and debt issuances when they fall due.

The Company manages its liquidity rate risk by matching interest rates and tenors on its financial liabilities with the interest rates and tenors on its financial assets with the Parent Company.

The table below provides residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. All outstanding debt issuance is profiled on the earliest date on which the Company may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reporting on balance sheet.

30/09/2017	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
Liabilities						
Commercial paper	3,744	1,118	2,626	-	-	-
Debt issuances	18,534	1,256	1,720	12,422	3,136	-
Total financial liabilities	22,278	2,374	4,346	12,422	3,136	-
30/09/2016						
Liabilities						
Commercial paper	5,376	1,054	4,322	-	-	-
Debt issuance	16,637	1,995	1,204	10,323	3,115	-
Total financial liabilities	22,013	3,049	5,526	10,323	3,115	-

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

No assets or liabilities are carried at fair value. 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.

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is considered a reasonable approximation of fair value:

	30/09/2017 Carrying amount NZ$m	Fair value NZ$m	30/09/2016 Carrying amount NZ$m	Fair value NZ$m
Financial assets				
Due from the Parent Company	21,263	21,345	21,317	21,548
Financial liabilities				
Commercial paper	3,719	3,721	5,358	5,364
Debt issuances	17,502	17,582	15,893	16,118

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Independent Auditor's Report

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

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of ANZ New Zealand (Int'l) Limited (the Company) on pages 2 to 8:

i. present fairly in all material respects the Company's financial position as at 30 September 2017 and its financial performance and cash flows for the year ended on that date

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the balance sheet as at 30 September 2017;

— the statement of comprehensive income, changes in equity and cash flow statement for the year then ended

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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 auditor of the company. The firm has no other relationship with, or interest in, the Company.

Other information

The directors, on behalf of the Company, are responsible for the other information included in the Company's Annual Financial Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

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

Responsibilities of the Directors for the financial statements

The directors, on behalf of the Company, are responsible 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
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

KPMG

KPMG
Wellington

15 November 2017

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