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

FOR THE YEAR ENDED 30 SEPTEMBER 2010 | NUMBER 8 ISSUED NOVEMBER 2010

ANZ

Australia and New Zealand Banking Group Limited - New Zealand Branch

General Disclosure Statement

For the year ended 30 September 2010

Contents

Glossary of Terms

This General Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Full and Half-Year - Overseas Incorporated Registered Banks) Order 2008 ("the Order").

In this General Disclosure Statement unless the context otherwise requires:

(a) "Bank" means ANZ National Bank Limited;
(b) "Banking Group" means ANZ National Bank and all its controlled entities;
(c) "Immediate Parent Company" means ANZ Funds Pty Limited, which is the immediate parent company of ANZ Holdings (New Zealand) Limited;
(d) "NZ Branch" means the New Zealand branch office of Australia and New Zealand Banking Group Limited;
(e) "ANZ New Zealand" means the combined New Zealand operations of Australia and New Zealand Banking Group Limited;
(f) "Ultimate Parent Bank" means Australia and New Zealand Banking Group Limited;
(g) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
(h) "RBNZ" means the Reserve Bank of New Zealand;
(i) "APRA" means the Australian Prudential Regulation Authority; and
(j) 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 NZ Branch was registered as a bank on 5 January 2009. Its address for service 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.

On 30 November 2009, ANZ New Zealand purchased ING Groep's 51% interest in ING (NZ) Holdings Limited ("ING NZ"), which was the holding company for the ANZ-ING wealth management and life insurance joint venture in New Zealand. As a result of the change in ownership, the name of these businesses was changed to OnePath in November 2010.

Nature of Business

ANZ New Zealand provides a broad range of banking and financial products and services to retail, small business, rural, commercial and institutional clients.

Pending Proceedings or Arbitration

Other than disclosed in the General Disclosure Statement, there are no pending proceedings or arbitration concerning any member of ANZ New Zealand that may have a material adverse effect on ANZ New Zealand as at 23 November 2010.

Further details on pending proceedings or arbitration are set out in Note 37.

Other Material Matters

There are no matters relating to the business or affairs of the NZ Branch and ANZ New Zealand which are not contained elsewhere in the General Disclosure Statement and which would, if disclosed, materially adversely affect the decision of a person to subscribe for debt securities of which the NZ Branch or any member of ANZ New Zealand is the issuer.

Credit Rating Information

Credit ratings are assigned to sovereigns and businesses by the international credit rating agencies. Credit ratings provide investors with an indication of the credit-worthiness of an entity in which they are considering investing. There are three major internationally recognised credit rating agencies: Standard & Poor's, Moody's Investors Service and Fitch Ratings.

As at 23 November 2010 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 20 May 2010 Fitch changed the outlook on the Ultimate Parent Bank from Stable to Positive. On 2 March 2009, Moody's changed the outlook on the Ultimate Parent Bank from Stable to Negative. During the two years ended 30 September 2010 there were no other changes to the Ultimate Parent Bank's credit ratings or qualifications.

General Disclosures

The Ultimate Parent Bank's Credit Ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA	Outlook Stable
Moody's Investors Service	Aa1	Outlook Negative
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:

(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.

General Disclosures

Section 13A(3) of the Banking Act affects all of the unsecured deposit liabilities of the NZ Branch which as at 30 September 2010 amounted to $nil (30/09/2009 $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 2010, 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.

Guarantees

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 Financial Claims Scheme applies to the NZ Branch, as it is a foreign branch of an eligible Australian ADI. The Wholesale Funding Guarantee may also apply as described below.

Financial Claims Scheme
Under the Financial Claims Scheme if:
- APRA has applied for an ADI to be wound up; and
- the responsible Minister makes a declaration that the Financial Claims Scheme applies to that particular ADI

then each account holder of a Protected Account (defined below) with that ADI is entitled to be paid by APRA an amount equal to the balance of the protected account plus accrued interest which has been accrued to the account (subject to various adjustments and preconditions described in the Financial Claims Scheme Act). Once the responsible Minister has made a declaration, there are no other material conditions to payment other than the ADI being unable to meet its obligations or suspending payment. The deposit must be for an amount less than A$1 million. Deposits for a greater amount are covered by the Wholesale Funding Guarantee (to the extent that is applicable as described below).

A protected account includes accounts or covered financial products (defined below) kept by an account holder with an ADI and either:
- requiring the ADI to pay the account holder, on demand by the account holder or at a time agreed by them, the net credit balance of the account at the time of the demand or the agreed time; or
- an account prescribed by regulations.

A covered financial product is a financial product declared by the Australian Treasurer to be a covered financial product and includes accounts such as saving, call, current, cheque, debit card, transaction and mortgage offset accounts.

Deposit holders do not have to be Australian residents to obtain the benefit of the Financial Claims Scheme and it applies to deposits denominated in any currency.

From 12 October 2011 the Financial Claims Scheme will apply to Australian dollar deposits only, and is generally subject to review at that time.

Wholesale Funding Guarantee
The Wholesale Funding Guarantee is a deed governed by the laws of the State of New South Wales and has been executed by the Australian Treasurer on behalf of the Australian Government. Australian institutions which are ADIs under the Banking Act, which includes the Ultimate Parent Bank, were entitled to apply for the Wholesale Funding Guarantee prior to 25 March 2010 to apply to deposit accounts over A$1 million and certain funding liabilities.

Foreign banks authorised to carry on banking business in Australia were also able to apply to have certain deposits and funding liabilities held by Australian residents guaranteed by the Australian Government. The Reserve Bank of Australia administers the Wholesale Funding Guarantee.

On 7 February 2010 the Australian Government announced the withdrawal of the Wholesale Funding Guarantee on 31 March 2010. The final date for ADIs to apply for access to the Wholesale Funding Guarantee was 24 March 2010. Existing guaranteed liabilities of ADIs, including those of the Ultimate Parent Bank, will continue to be covered by the Wholesale Funding Guarantee to maturity for wholesale funding and term deposits and to October 2015 for at call deposits. The Wholesale Funding Guarantee continues to operate for existing guaranteed liabilities as follows.

General Disclosures

Under the Wholesale Funding Guarantee, the Commonwealth of Australia irrevocably guarantees the payment of liabilities covered by an eligibility certificate issued by the Australian Government in response to an application made by the ADI, and irrevocably undertakes that whenever the ADI does not pay a liability on the date on which it becomes due or payable, it shall, upon a claim by a person to whom a guaranteed liability is owed, and following the expiry of any applicable grace period, pay the guaranteed liability in accordance with the scheme rules. A claim must be made in the form provided in the scheme rules. In the case of a liability of an Australian ADI, such as the Overseas Bank, the claimant need not be a resident of Australia.

In order to have the Wholesale Funding Guarantee apply, an ADI was required to apply to the Reserve Bank of Australia for an eligibility certificate. Fees were also paid, calculated by reference to the term and amount of the liabilities guaranteed and the credit rating of the ADI the fee which applied to the Ultimate Parent Bank based on its rating by Standard and Poor's of AA, was 70 basis points per annum applied in respect of its guaranteed liabilities in accordance with the Wholesale Funding Guarantee). The fees are levied on a monthly or quarterly basis depending on the liability. An ADI was able to apply for an eligibility certificate in respect of a program under which it issues debt instruments from time to time or on a series-by-series basis.

A person to whom a guaranteed liability is owed may rely on the eligibility certificate issued by the Australian Government as conclusive evidence that the liability satisfies the criteria for eligibility to be guaranteed under the Wholesale Funding Guarantee.

An application must set out details of the liabilities to be guaranteed and be accompanied by an executed counter indemnity in favour of the Australian Government, external legal opinions in a prescribed form, an executed fee letter and a letter of prudential compliance. Further information with respect to the application procedure and fees can be found at the Australian Government Guarantee website at www.guaranteescheme.gov.au.

If the ADI is an Australian ADI (such as the Ultimate Parent Bank) or an Australian subsidiary of a bank incorporated overseas, it was able to apply for the guarantee to apply to:

- ***Deposit liabilities for amounts over A$1 million***: The deposit could be at call or with maturity of up to 60 months in excess of $1 million per customer per ADI, be in any currency and pre-date the Wholesale Funding Guarantee. There were no restrictions on the types of depositors;
- ***Deposits held in overseas branches***: Deposits held in overseas branches of Australian-owned ADIs could be covered by the Wholesale Funding Guarantee. There were no restrictions on the types of depositors;
- ***Short Term Wholesale Funding Liabilities***: The liability (which could be in any currency) was required to be a senior and unsecured debt instrument with a maturity not exceeding 15 months. In addition, the instrument must be "not complex" and be either a bank bill, a certificate of deposit or transferable deposit, a debenture or commercial paper; and
- ***Term Wholesale Funding Liabilities***: The liability (which may be in any currency) was required to be a senior and unsecured debt instrument with a maturity not exceeding 60 months but greater than 15 months. The instrument required to be "not complex" and be either a bond, a note or a debenture.

In the case of all instruments, they would be issued in bearer, registered or dematerialised form. An instrument could not be granted an eligibility certificate unless it was "not complex". The Government has published a list of the features that were likely to be regarded by the Government as "complex".

If the Australian Government does not perform its obligations under the Wholesale Funding Guarantee, a beneficiary of the guarantee could sue the Commonwealth of Australia under the Judiciary Act 1903 of Australia. In such a suit, the rights of parties are similar to those in a suit between subjects of the Commonwealth of Australia. Jurisdiction to hear claims against the Commonwealth of Australia in contract is vested in certain Australian courts under the Judiciary Act 1903 of Australia. If a judgment is obtained against the Australian Government, no execution or attachment can be issued against the property or revenues of the Commonwealth of Australia. However, if any judgment is given against the Australian Government, the Minister for Finance is obliged to satisfy the judgment out of money legally available, on receipt of a certificate of the judgment issued by an officer of a court in which such judgment has been obtained.

In order to render money legally available, specific appropriation by legislation passed by the Parliament of the Commonwealth of Australia would be necessary before any payment is made, unless the amount involved is such that it could be paid out of funds available under an existing standing appropriation. The Australian Government has enacted legislation which appropriates funds from consolidated revenue for the purposes of paying claims under the Wholesale Funding Guarantee. The Wholesale Funding Guarantee does not contain any submission to the courts of a foreign jurisdiction or any waiver of any immunity which might be available to the Commonwealth of Australia under the law of any foreign jurisdiction.

The Australian Government shall not be liable to perform its obligations under the Wholesale Funding Guarantee in respect of liabilities which have been varied, amended, waived, released, novated, supplemented, extended or restated in any material respect without the written consent of the Australian Government.

Further information on the Wholesale Funding Guarantee including the Wholesale Deed of Guarantee is available in the most recent Supplemental Disclosure Statement.

Copies of eligibility certificates issued by the Reserve Bank of Australia under the Wholesale Funding Guarantee are available at www.guaranteescheme.gov.au.

The name of the Guarantor and address for service is: The Scheme Administrator, Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding, c/- The Secretary, Reserve Bank of Australia, 65 Martin Place, Sydney, New South Wales 2001, Australia.

General Disclosures

Further details of the arrangements, together with relevant legislation, regulations and other documents setting out the terms and conditions of the current guarantee arrangements, are available at the Treasury website www.treasury.gov.au, www.apra.gov.au and www.guaranteescheme.gov.au.

The most recent audited financial statements of the Commonwealth of Australia can be obtained at the Treasury's Budget website www.budget.gov.au. As at the date of signing of the General Disclosure Statement, the following ratings were assigned to the Commonwealth of Australia's long term, AUD denomination debt: AAA Outlook Stable (Standard & Poor's), Aaa Outlook Stable (Moody's) and AAA Outlook Stable (Fitch). These ratings have remained unchanged in the two preceding years.

New Zealand Guarantee Arrangements
The Crown guarantees wholesale funding of participating New Zealand financial institutions under the New Zealand Wholesale Funding Guarantee Facility. The NZ Branch does not have a guarantee under this Scheme.

Supplemental Disclosure Statement

A copy of the most recent Supplemental Disclosure Statement for the year ended 30 September 2010 can be obtained immediately where request is made within normal banking hours at Level 6, 1 Victoria Street, Wellington, New Zealand. It is also available at no charge:

(a) on ANZ New Zealand's website at www.anz.com;
(b) immediately if request is made at ANZ New Zealand's head office; and
(c) within five working days of a request, if a request is made at any branch of ANZ or The National Bank of New Zealand.

ANZ New Zealand's most recent Supplemental Disclosure Statement contains a copy of the 30 September 2010 Annual Report for the Overseas Banking Group and a copy of the Deed of Guarantee for the Guarantee 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 the request is made at Level 6, 1 Victoria Street, Wellington, New Zealand. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the internet address www.anz.com.

Directorate

Since the authorisation date of the previous General Short Form Disclosure Statement on 25 August 2010, there have been no changes to the Directors of Australia and New Zealand Banking Group Limited.

Summary of Financial Statements

	ANZ New Zealand				
$ millions	**Year to 30/09/2010**	Year to 30/09/2009	Year to 30/09/2008	Year to[1] 30/09/2007	Year to[1] 30/09/2006
Continuing operations					
Interest income	**6,447**	7,578	9,858	8,296	7,195
Interest expense	**3,952**	5,181	7,829	6,239	5,246
Net interest income	**2,495**	2,397	2,029	2,057	1,949
Other operating income	**745**	581	1,126	864	801
Operating income	**3,240**	2,978	3,155	2,921	2,750
Operating expenses	**1,565**	1,479	1,445	1,331	1,323
Profit before provision for credit impairment and income tax	**1,675**	1,499	1,710	1,590	1,427
Collective provision charge / (credit)	**-**	270	112	20	(10)
Individual provision charge	**456**	613	190	54	28
Provision for credit impairment	**456**	883	302	74	18
Profit before income tax	**1,219**	616	1,408	1,516	1,409
Income tax expense	**352**	422	418	551	463
Profit after income tax from continuing operations	**867**	194	990	965	946
Discontinued operations					
Profit from discontinued operations (net of income tax)	**-**	-	-	76	5
Profit after income tax	**867**	194	990	1,041	951
Dividends paid	**(492)**	(1,000)	(1,169)	(600)	(780)

	ANZ New Zealand				
$ millions	**As at 30/09/2010**	As at 30/09/2009	As at 30/09/2008	As at[1] 30/09/2007	As at[1] 30/09/2006
Total impaired assets	**2,047**	1,188	327	115	151
Total assets	**127,029**	126,314	123,078	107,606	95,929
Total liabilities	**119,208**	118,999	115,951	100,751	89,543
Non-controlling interests	**1**	-	-	-	-
Equity	**7,821**	7,315	7,127	6,855	6,386

[1] Truck Leasing Limited has been classified as a discontinued operation for the comparative years ending 30 September 2007 and 30 September 2006.

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 30/09/2010	ANZ New Zealand Year to 30/09/2009	NZ Branch Year to 30/09/2010	NZ Branch Year to 30/09/2009
Interest income	4	**6,447**	7,578	**555**	241
Interest expense	5	**3,952**	5,181	**416**	171
Net interest income		**2,495**	2,397	**139**	70
Net trading gains	4	**39**	187	**-**	-
Funds management and insurance income	4	**218**	97	**-**	-
Other operating income	4	**446**	284	**42**	(10)
Share of profit of equity accounted associates and joint ventures	16	**42**	13	**-**	-
Operating income		**3,240**	2,978	**181**	60
Operating expenses	5	**1,565**	1,479	**26**	11
Profit before provision for credit impairment		**1,675**	1,499	**155**	49
Provision for credit impairment	15	**456**	883	**20**	9
Profit before income tax		**1,219**	616	**135**	40
Income tax expense	6	**352**	422	**41**	12
Profit after income tax		**867**	194	**94**	28

Statements of Comprehensive Income

$ millions	Note	ANZ New Zealand Year to 30/09/2010	ANZ New Zealand Year to 30/09/2009	NZ Branch Year to 30/09/2010	NZ Branch Year to 30/09/2009
Profit after income tax		**867**	194	**94**	28
Available-for-sale revaluation reserve					
Valuation gain before tax		**53**	2	**-**	-
Cumulative gain transferred to the income statement on sale of financial assets		**(12)**	-	**-**	-
Cash flow hedging reserve					
Valuation gain / (loss) before tax	11	**89**	(1)	**-**	-
Transferred to income statement	11	**21**	(3)	**-**	-
Other items recognised directly in equity					
Actuarial gain / (loss) on defined benefit schemes	40	**27**	(25)	**-**	-
Income tax credit / (expense) on items recognised directly in equity	6	**(48)**	10	**-**	-
Net income / (expense) recognised directly in equity		**130**	(17)	**-**	-
Total comprehensive income for the year		**997**	177	**94**	28

Statements of Changes in Equity

$ millions	Note	ANZ New Zealand Year to 30/09/2010	ANZ New Zealand Year to 30/09/2009	NZ Branch Year to 30/09/2010	NZ Branch Year to 30/09/2009
Share capital and head office account					
Balance at beginning of the year		**6,424**	5,413	**11**	-
Movement in Head Office account		**-**	11	**-**	11
Redeemable preference shares issued in the year		**-**	1,000	**-**	-
Balance at end of the year	30	**6,424**	6,424	**11**	11
Available-for-sale revaluation reserve					
Balance at beginning of the year		**25**	23	**-**	-
Valuation gain recognised after tax		**42**	2	**-**	-
Transferred to income statement after tax		**(9)**	-	**-**	-
Balance at end of the year		**58**	25	**-**	-
Cash flow hedging reserve					
Balance at beginning of the year		**23**	24	**-**	-
Valuation gain recognised after tax		**64**	-	**-**	-
Transferred to income statement after tax		**15**	(1)	**-**	-
Balance at end of the year	11	**102**	23	**-**	-
Total reserves		**160**	48	**-**	-
Retained earnings					
Balance at beginning of the year		**843**	1,667	**28**	-
Profit after income tax attributable to parent		**867**	194	**94**	28
Total available for appropriation		**1,710**	1,861	**122**	28
Actuarial gain / (loss) on defined benefit schemes after tax		**18**	(18)	**-**	-
Dividends paid	30	**(492)**	(1,000)	**-**	-
Balance at end of the year		**1,236**	843	**122**	28
Non-controlling interests					
Balance at beginning of the year		**-**	-	**-**	-
Acquired in a business combination	41	**1**	-	**-**	-
Balance at end of the year		**1**	-	**-**	-
Total equity and head office account					
Balance at beginning of the year		**7,315**	7,127	**39**	-
Total comprehensive income for the year		**997**	177	**94**	28
Transactions with head office		**(492)**	11	**-**	11
Non-controlling interests	41	**1**	-	**-**	-
Balance at end of the year		**7,821**	7,315	**133**	39

Balance Sheets

$ millions	Note	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Assets					
Liquid assets	8	2,239	2,762	-	-
Due from other financial institutions	9	3,496	4,514	-	-
Trading securities	10	6,757	4,166	-	-
Derivative financial instruments	11	10,854	11,015	500	34
Available-for-sale assets	12	2,210	1,513	-	-
Net loans and advances	13	96,015	97,024	10,059	8,774
Due from related entities		-	-	302	341
Investments relating to insurance business		28	-	-	-
Insurance policy assets		138	-	-	-
Shares in associates and jointly controlled entities	16	144	464	-	-
Current tax assets		18	115	-	-
Other assets	17	970	1,141	3	-
Deferred tax assets	18	304	-	7	3
Premises and equipment	19	311	278	-	-
Goodwill and other intangible assets	20	3,545	3,322	-	-
Total assets		127,029	126,314	10,871	9,152
Liabilities					
Due to other financial institutions	21	12,293	12,514	10,481	8,801
Deposits and other borrowings	22	70,295	71,764	-	-
Derivative financial instruments	11	10,727	10,974	142	254
Payables and other liabilities	23	1,506	1,547	70	43
Provisions	24	315	283	-	-
Current tax liability		-	-	45	15
Deferred tax liability	18	-	15	-	-
Bonds and notes	25	19,899	17,540	-	-
Term funding	27	1,766	1,766	-	-
Loan capital	26	2,407	2,596	-	-
Total liabilities (excluding head office account)		119,208	118,999	10,738	9,113
Net assets (excluding head office account)		7,821	7,315	133	39
Represented by:					
Share capital and head office account	30	6,424	6,424	11	11
Reserves		160	48	-	-
Retained earnings		1,236	843	122	28
Parent shareholder's equity and head office account		7,820	7,315	133	39
Non-controlling interests		1	-	-	-
Total equity & head office account		7,821	7,315	133	39

For and on behalf of the Board of Directors:

John Morschel
Chairman
Australia and New Zealand Banking Group Limited
23 November 2010

David Meiklejohn
Director
Australia and New Zealand Banking Group Limited
23 November 2010

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

Cash Flow Statements

		ANZ New Zealand		NZ Branch	
		Year to	Year to	**Year to**	Year to
$ millions	**Note**	**30/09/2009**	30/09/2009	**30/09/2009**	30/09/2009
Cash flows from operating activities					
Interest received		**6,217**	7,467	**565**	241
Dividends received		**2**	3	**-**	-
Net funds management & insurance income		**137**	97	**-**	-
Fees and other income received		**772**	749	**-**	4
Interest paid		**(3,880)**	(5,137)	**(390)**	(130)
Operating expenses paid		**(1,473)**	(1,483)	**(25)**	(9)
Income taxes paid		**(579)**	(338)	**(15)**	-
Cash flows from operating profits before changes in operating assets and liabilities		**1,196**	1,358	**135**	106
Net changes in operating assets and liabilities:					
Change in due from other financial institutions - term		**1,967**	(246)	**-**	-
Change in trading securities		**(2,613)**	(1,505)	**-**	-
Change in derivative financial instruments		**1,083**	(3,494)	**29**	237
Change in available-for-sale assets		**(435)**	(1,388)	**-**	-
Change in insurance investment assets		**22**	-	**-**	-
Change in loans and advances		**218**	43	**(1,248)**	(9,144)
Change in due to related entities		**-**	-	**39**	(11)
Change in other assets		**143**	(165)	**(3)**	-
Change in due to other financial institutions		**(914)**	9,630	**1,048**	8,801
Change in customer deposits		**(1,493)**	672	**-**	-
Change in other borrowings and certificates of deposit		**(417)**	(4,637)	**-**	-
Change in payables and other liabilities		**(65)**	(167)	**-**	-
Net cash flows provided by / (used in) operating activities	**35**	**(1,308)**	101	**-**	(11)
Cash flows from investing activities					
Proceeds from sale of shares in associates and jointly controlled entities		**7**	-	**-**	-
Proceeds from sale of premises and equipment		**1**	33	**-**	-
Proceeds from sale of software		**-**	3	**-**	-
Purchase of shares in associates and jointly controlled entities		**-**	(92)	**-**	-
Purchase of shares in subsidiary entities		**(247)**	-	-	-
Purchase of intangible assets		**(43)**	(21)	**-**	-
Purchase of premises and equipment		**(80)**	(95)	**-**	-
Net cash flows used in investing activities		**(362)**	(172)	**-**	-
Cash flows from financing activities					
Proceeds from bonds and notes		**5,481**	5,012	**-**	-
Redemptions of bonds and notes		**(4,307)**	(7,751)	**-**	-
Redemptions of loan capital		**(200)**	(225)	**-**	-
Issue of redeemable preference shares		**-**	1,000	**-**	-
Dividends paid		**(492)**	(1,000)	**-**	-
Proceeds from Head Office		**-**	11	**-**	11
Net cash flows provided by / (used in) financing activities		**482**	(2,953)	**-**	11
Net cash flows provided by / (used in) operating activities		**(1,308)**	101	**-**	(11)
Net cash flows used in investing activities		**(362)**	(172)	**-**	-
Net cash flows provided by / (used in) financing activities		**482**	(2,953)	**-**	11
Net decrease in cash and cash equivalents		**(1,188)**	(3,024)	**-**	-
Cash and cash equivalents at beginning of the year		**4,766**	7,790	**-**	-
Cash and cash equivalents at end of the year	**35**	**3,578**	4,766	**-**	-

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 Principles. 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 policies have been consistently applied by all members of ANZ New Zealand and all controlled entities and to all periods presented in these financial statements.

These financial statements were authorised for issue by the Board of Directors on 23 November 2010.

(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.

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 recognised as available-for-sale;
- financial instruments designated at fair value through profit and loss; and
- defined benefit scheme asset or liability.

(iv) Changes in accounting policies and application of new accounting statements
The accounting policies adopted by ANZ New Zealand are consistent with those adopted and disclosed in the prior period with the exception that all new accounting standards and interpretations applicable to annual reporting periods beginning on or after 1 October 2009 have been applied by ANZ New Zealand effective from the required date of application. The initial application of these standards and interpretations have only resulted in changes to disclosures in the financial statements of ANZ New Zealand.

NZ IFRS 8 *Operating Segments* ("NZ IFRS 8"), NZ IAS 1 *Presentation of Financial Statements (revised)* ("NZ IAS 1"), NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ IFRS 3 *Business Combinations (revised)* have been applied by ANZ New Zealand for the year ended 30 September 2010.

NZ IFRS 8 replaces NZ IAS 14 *Segment Reporting* and requires the use of a "management approach" to segment reporting. Segment information is therefore presented on the same basis as that used for internal reporting purposes. Goodwill associated with the acquisition of NBNZ Holdings Limited Group is allocated to the reportable segments in accordance with NZ IFRS 8.

In accordance with NZ IAS 1 a "statement of comprehensive income" has been disclosed showing net profit or loss and revenues and expenses recognised directly in equity. In addition the revised "statement of changes in equity" shows all changes in equity.

There have been no other changes in accounting policies since the authorisation date of the previous annual financial statements on 24 November 2009.

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

(vi) Comparatives
In prior years some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended 30 September 2010 this income has been classified to interest income, to more accurately reflect the nature of the income. Also for the year ended 30 September 2010 income from insurance and funds management activities has been presented as a separate category in the income statement.

Notes to the Financial Statements

Comparative data has been restated accordingly. For the year ended 30 September 2009 these reclassifications have, for ANZ New Zealand, increased interest income by $99 million, increased net funds management and insurance income by $97 million and reduced other operating income by $196 million. There was no impact on total operating income or net profit after taxation.

Certain other amounts in the comparative information have also been reclassified to ensure consistency with the current year's presentation.

(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 period, 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 the activities accrue to ANZ New Zealand; or
- in substance, ANZ New Zealand controls decision making powers so as to obtain the majority of the risks and rewards of these 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 the 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 earning methodology, to determine the reasonableness of the valuation.

(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.

Notes to the Financial Statements

(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.

(v) Gain or loss on sale of plant 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) Share-based compensation expense

ANZ New Zealand has various equity settled share-based compensation plans. These are described in Note 39 and largely comprise the Employee Share Acquisition Plan and the ANZ Share Option Plan.

Shares

The fair value of the Ultimate Parent Bank's shares granted under the Employee Share Acquisition Plan is measured at grant date, using a volume weighted average market price of the Ultimate Parent Bank's shares. The fair value is expensed immediately when shares vest immediately or on a straight-line basis over the relevant vesting period.

Notes to the Financial Statements

Share options

The fair value of share options over the Ultimate Parent Bank's shares is measured at grant date, using an option pricing model. The fair value is expensed on a straight-line basis over the relevant vesting period. This is recognised as an employee compensation expense with a corresponding increase in the share options liability account.

The option pricing model takes into account the exercise price of the option, the risk free interest rate, the expected volatility of the Ultimate Parent Bank's share price and other factors. Market vesting conditions are taken into account in estimating the fair value.

Performance rights

A Performance Right is a right to acquire a share at nil cost to the employee subject to satisfactorily meeting time and performance hurdles. Upon exercise, each Performance Right entitles the holder to one ordinary share in the Ultimate Parent Bank. The fair value of Performance Rights is determined at grant date using an option pricing model, taking into account market conditions. The fair value is expensed over the relevant vesting period with a corresponding increase in the share options liability account.

Other adjustments

Subsequent to the grant of an equity-based award, the amount recognised as an expense is adjusted for vesting conditions other than market conditions so that, ultimately, the amount recognised as an expense is based on the number of equity instruments that eventually vest.

(iv) 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 period 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 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).

(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:

- 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 securities 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 variables, 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.

Notes to the Financial Statements

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 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 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.

Purchases and sales of available-for-sale financial assets are recognised on trade date as with all regular way assets, 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.

Loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills.

All loans are graded according to the level of credit risk. Loans are classified as either productive or impaired.

Impaired assets include loans where there is doubt as to full recovery, and loans that have been restructured. An individual provision is raised to cover the expected loss where full recovery of principal is doubtful.

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.

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.

Notes to the Financial Statements

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. Subsequent recoveries of amounts previously written off are taken to the income statement. Unsecured facilities are normally written-off when they become 180 days past due or earlier in the event of the customer's bankruptcy or similar legal release from the obligation. However, a certain level of recoveries is expected after the write-off, which is reflected in the amount of the provision for credit losses. In the case of secured facilities, remaining balances are written-off after proceeds from the realisation of collateral have been received, if there is a shortfall.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the income statement.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

(v) Lease receivables
Contracts to lease assets and hire purchase agreements are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. All other lease contracts are classified as operating leases.

(vi) Repurchase agreements
Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with ANZ New Zealand, and a counterparty liability is disclosed under 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 relating to insurance business
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. 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 may not be 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.

Notes to the Financial Statements

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.

(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 investment contracts and assets / liabilities arising from life insurance contracts.

Provisions for liabilities under 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.

(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.

Notes to the Financial Statements

(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.

Non-financial liabilities
(v) Employee benefits
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. 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. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation.

Superannuation schemes
ANZ New Zealand operates a number of defined contribution schemes and also contributes, according to local law, to government and other plans that have the characteristics of defined contribution schemes. ANZ New Zealand's contributions to these schemes are recognised as an expense in the income statement when incurred.

ANZ New Zealand operates two defined benefit superannuation schemes. The liability and expense related to providing benefits to employees under each of the defined benefit schemes are calculated by independent actuaries. A defined benefit liability is recognised to the extent that the present value of the defined benefit obligation of each scheme, calculated using the Projected Unit Credit Method, is greater than the fair value of each scheme's assets. Where this calculation results in a benefit to ANZ New Zealand, a defined benefit asset is recognised which is capped at the recoverable amount.

In each subsequent reporting period, ongoing movements in the carrying value of the defined benefit liability or asset are treated as follows:

- the net movement relating to the current period's service cost, interest cost, expected return on scheme assets, past service costs and other costs (such as the effects of any curtailments and settlements), is recognised as an employee expense in the income statement;
- movements relating to actuarial gains and losses are recognised directly in retained earnings; and
- contributions incurred are recognised directly against the net defined benefit position.

The assets of the defined benefit and cash accumulation superannuation schemes are held in trust and are not included in these financial statements as ANZ New Zealand does not have direct or indirect control of these schemes. The benefits under the schemes are provided from contributions by employee members and by ANZ New Zealand, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at a minimum of every three years in accordance with the schemes' Trust Deeds and superannuation legislation.

(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. Any expected third party recoveries are recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Notes to the Financial Statements

(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, 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.

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 gross 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
A contingent liability is a possible or present obligation where it is less than probable there will be an outflow of resources or it is not possible to measure the amount of the obligation with sufficient reliability.

Notes to the Financial Statements

Liabilities are no longer contingent, and are recognised on the balance sheet, when the following requirements are met:

- the transaction is probable in that the contingency is likely to occur; and
- the contingency can be reasonably estimated.

Further disclosure is made within Note 37, where the above requirements are not met, but there is a possible obligation that is higher than remote. Specific details of the nature of the contingent liability are provided and, where practicable, an estimate of its financial effect. Alternatively, where no disclosure is made of its financial effect because it is not practicable to do so, a statement to that effect is provided.

(ii) Securitisation, funds under management and other fiduciary activities

Certain entities within ANZ New Zealand act as trustees and/or managers for a number of unit trusts and superannuation investment funds. ANZ New Zealand provides private banking services to customers including portfolio management. The assets of the managed funds and private banking clients are not included in these financial statements, as direct or indirect control of the assets is not held by ANZ New Zealand. Commissions and fees earned in respect of ANZ New Zealand's funds under management are included in net operating income.

Financial services provided by any member of ANZ New Zealand to discretionary private banking activities or entities conducting funds management, and assets purchased from discretionary private banking activities or entities conducting funds management are on arm's length terms and conditions, and at fair value.

Securitised assets are derecognised when the right to receive cash flows have expired or ANZ New Zealand has transferred substantially all the risks and rewards of ownership.

(iii) Discontinued operations

A discontinued operation is a component of ANZ New Zealand's business that represents a separate major line of business or geographical area of operations that has been disposed of or is classified as held for sale, or is a subsidiary that has been disposed of or is classified as held for sale.

When an operation is classified as a discontinued operation the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

(iv) 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.

NZ IFRS 9 *Financial Instruments (effective periods commencing after 1 January 2013)* – specifies a simpler methodology for classifying and measuring financial assets. The Bank is currently assessing the impact of applying this standard to its financial statements.

The following amendments to accounting standards are not expected to have a material impact on the financial results of the Bank or ANZ New Zealand:

NZ IAS 24 *Related Party Disclosures (effective periods commencing after 1 July 2011)* – simplifies the definition of a related party clarifying its intended meaning.

NZ IAS 32 *Financial Instruments: Presentation – Classification of rights issues (effective periods commencing after 1 February 2010)* – clarifies the classification of share rights, options or warrants for fixed amounts of any currency.

Improvements to New Zealand equivalents to International Financial Reporting Standards (various effective dates) – are the International Accounting Standards Board's annual omnibus updates of standards.

2. Critical Estimates and Judgement Used in Applying Accounting Policies

These financial statements are prepared in accordance with NZ IFRS. However, 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 (individual and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

Notes to the Financial Statements

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 collectibility of one of the ANZ New Zealand's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The 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 by management 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
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. Refer to Note 20 for details of goodwill.

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 2010, when the last valuation was prepared, a discount rate of 11.66% 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.

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", and 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.

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.

A number of new and existing types of risk have been recognised following the consolidation of the ING NZ (now known as OnePath) into ANZ New Zealand. The new risks relate to OnePath's insurance, real estate management and funds management businesses. The new risks identified are not considered material to ANZ New Zealand.

Financial risk management
Refer to Note 32 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.

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.

The compliance policies and their supporting framework seek to minimise material risks to ANZ New Zealand's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the identification and management of compliance. Risk Management provides policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. The Board and the Risk Committee of the Ultimate Parent Bank Board conduct Board and Executive oversight.

Notes to the Financial Statements

Internal audit

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

Internal Audit reports directly to the Chairman of the ANZ National Bank Limited Audit Committee and through to the Ultimate Parent Bank Group General Manager Internal Audit. Under its Charter, 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, 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 Internal Audit Plan is approved by the ANZ National Bank Limited 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

		ANZ New Zealand		NZ Branch	
		Year to	Year to	**Year to**	Year to
$ millions	**Note**	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Interest income					
Financial assets at fair value through profit or loss					
Trading securities		**346**	187	**-**	-
		346	187	**-**	-
Financial assets not at fair value through profit or loss					
Liquid assets		**66**	118	**-**	-
Other financial institutions		**67**	259	**-**	-
Available-for-sale assets		**69**	16	**-**	-
Lending on productive loans		**5,719**	6,956	**554**	241
Lending on impaired assets		**60**	8	**1**	-
Other		**120**	34	**-**	-
		6,101	7,391	**555**	241
Total interest income		**6,447**	7,578	**555**	241
Net trading gains					
Net gain on foreign exchange trading		**123**	201	**-**	-
Net gain on trading securities		**174**	43	**-**	-
Net loss on trading derivatives		**(258)**	(57)	**-**	-
Net trading gains		**39**	187	**-**	-
Funds management and insurance income					
Fee income on trust and other fiduciary activities		**62**	52	**-**	
Other funds management and insurance income		**156**	45	**-**	-
Total funds management and insurance income		**218**	97	**-**	-
Other operating income					
Lending and credit facility fee income		**45**	62	**-**	-
Other fee income		**554**	580	**-**	-
Total fee income		**599**	642	**-**	-
Direct fee expense		**181**	172		-
Net fee income		**418**	470	**-**	-
Dividends received		**2**	1	**-**	-
Net gain / (loss) on hedges not qualifying for hedge accounting		**101**	(16)	**50**	(18)
Net ineffectiveness on qualifying fair value hedges	11	**(20)**	7	**(10)**	8
Net cash flow hedge gain / (loss) transferred to income statement	11	**(21)**	3	**-**	-
Net gain / (loss) on financial liabilities designated at fair value		**1**	(20)	**-**	-
ING New Zealand Funds	37	**-**	(211)	**-**	-
Loss on re-measuring existing equity interests at fair value	41	**(82)**	-	**-**	-
Other income		**47**	50	**2**	-
Total other operating income		**446**	284	**42**	(10)

Notes to the Financial Statements

5. Expenses

	ANZ New Zealand		NZ Branch	
	Year to	Year to	**Year to**	Year to
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Interest expense				
Financial liabilities at fair value through profit or loss				
Commercial paper	**265**	561	**-**	-
	265	561	**-**	-
Financial liabilities not at fair value through profit or loss				
Other financial institutions	**401**	359	**412**	146
Deposits and other borrowings	**2,150**	2,959	**-**	-
Bonds and notes	**810**	910	**-**	16
Term funding	**72**	101	**-**	-
Loan capital	**180**	207	**-**	-
Other	**74**	84	**4**	9
	3,687	4,620	**416**	171
Total interest expense	**3,952**	5,181	**416**	171
Operating expenses				
Personnel costs	**735**	718	**-**	-
Employee entitlements	**71**	73	**-**	-
Pension costs				
- Defined contribution schemes	**36**	36	**-**	-
- Defined benefit schemes	**7**	8	**-**	-
Share-based payments expense	**21**	18	**-**	-
Building occupancy costs	**44**	42	**-**	-
Depreciation of premises and equipment	**47**	39	**-**	-
Leasing and rental costs	**82**	80	**-**	-
Related parties (Note 27)	**86**	91	**-**	1
Computer expenses	**131**	120	**-**	-
Administrative expenses	**209**	178	**-**	-
Other costs	**96**	76	**26**	10
Total operating expenses	**1,565**	1,479	**26**	11

	Year to	Year to	**Year to**	Year to
$ thousands	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Fees paid to principal auditors				
Audit or review of financial statements	**2,290**	2,097	**71**	80
Other audit-related services	**701**	369	**33**	-
Total auditors' remuneration	**2,991**	2,466	**104**	80
Audit fees paid to other audit firms	**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	30/09/2010	30/09/2009	30/09/2010	30/09/2009
Reconciliation of the prima facie income tax payable on profit				
Profit before income tax	**1,219**	616	**135**	40
Prima facie income tax at 30%	**366**	185	**41**	12
Rebateable and non-assessable dividends	**(6)**	(8)	**-**	-
Effect of changes in tax legislation	**45**	-	**-**	-
Change in tax provisions	**(54)**	240	**-**	-
Non-deductible expenses / (non-assessable income)	**1**	6	**-**	-
	352	423	**41**	12
Income tax under provided in prior years	**-**	(1)	**-**	-
Total income tax expense	**352**	422	**41**	12
Effective tax rate (%) before change in tax provisions and the effect of changes in tax legislation	**29.6%**	29.5%	**30.4%**	30.0%
Effective tax rate (%)	**28.9%**	68.5%	**30.4%**	30.0%
Amounts recognised in the income statement				
Current income tax charge				
Current income tax charge	**641**	386	**45**	15
Adjustments recognised in the current year in relation to current tax of prior years	**-**	(1)	**-**	-
Deferred income tax				
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**(316)**	136	**(4)**	(3)
Other (including indemnity)	**27**	(99)	**-**	-
Total income tax expense recognised in income statement	**352**	422	**41**	12
Amounts recognised directly in equity				
Current income tax				
Actuarial gain / (loss) on defined benefit schemes	**8**	(7)	**-**	-
Net gain on revaluation of financial instruments	**8**	-	**-**	-
Deferred income tax				
Net gain / (loss) on revaluation of financial instruments	**32**	(3)	**-**	-
Total income tax charge / (benefit) recognised directly in equity	**48**	(10)	**-**	-
Imputation Credit Account				
Balance at beginning of the year	**645**	696	**-**	-
Imputation credits attached to dividends received	**31**	31	**-**	-
Taxation paid	**375**	138	**-**	-
Imputation credits attached to dividends paid	**(125)**	(252)	**-**	-
Other	**9**	32	**-**	-
Balance at end of the year	**935**	645	**-**	-

The above amounts only include items that give rise to imputation credits that are available for use by ANZ New Zealand and/or the NZ Branch. The figures shown for the NZ Branch include the imputation credits available for use by the NZ Branch held by the ANZ New Zealand 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 tax depreciation on buildings with an estimated useful life greater than fifty years, effective for the 2011-2012 income tax year. The tax effect shown is the estimated impact on the value of deferred tax as a result of the changes from 1 October 2011.

Settlement with Inland Revenue Department

The New Zealand Inland Revenue Department ("IRD") had been reviewing a number of structured finance transactions as part of an audit of the 2000 to 2005 tax years. The Bank has reached a settlement with the IRD in respect of all the transactions in dispute. This liability, net of amounts receivable from Lloyds Banking Group plc, was met from existing tax provisions.

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.

As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 2010 segment definitions.

Retail
Retail provides banking products and services to individuals and small businesses 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. Small business banking services are offered to enterprises with annual revenues of less than $5 million. ANZ New Zealand's wealth businesses 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 Rural, Commercial and UDC customers. A full range of banking products and services are provided to Rural customers. Commercial customers consist of primarily privately owned medium to large businesses with annual revenues of $2 million and greater. 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 primarily involved in the financing and leasing of plant, vehicles and equipment, primarily 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 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				
30/09/2010	**Retail[3]**	**Commercial**	**Institutional**	**Other[4]**	**Total**
External interest income	**3,814**	**2,321**	**349**	**(37)**	**6,447**
External interest expense	**(1,425)**	**(345)**	**(414)**	**(1,768)**	**(3,952)**
Net intersegment interest	**(1,174)**	**(1,118)**	**544**	**1,748**	**-**
Net interest income	**1,215**	**858**	**479**	**(57)**	**2,495**
Other external operating income[4]	**481**	**50**	**114**	**58**	**703**
Share of profit of equity accounted associates and jointly controlled entities	**35**	**-**	**5**	**2**	**42**
Operating income	**1,731**	**908**	**598**	**3**	**3,240**
Other external expenses	**603**	**153**	**101**	**622**	**1,479**
Net intersegment and related party expenses[2]	**482**	**117**	**64**	**(577)**	**86**
Operating expenses	**1,085**	**270**	**165**	**45**	**1,565**
Profit before provision for credit impairment	**646**	**638**	**433**	**(42)**	**1,675**
Provision for credit impairment	**224**	**292**	**(60)**	**-**	**456**
Profit before income tax	**422**	**346**	**493**	**(42)**	**1,219**
Income tax expense	**127**	**104**	**142**	**(21)**	**352**
Profit after income tax	**295**	**242**	**351**	**(21)**	**867**
Other information					
Depreciation and amortisation	**22**	**3**	**1**	**45**	**71**
Goodwill	**1,138**	**1,052**	**1,072**	**-**	**3,262**
Intangible assets - indefinite life	**125**	**-**	**-**	**-**	**125**
Intangible assets - definite life	**146**	**8**	**-**	**4**	**158**
Shares in associates and jointly controlled entities	**-**	**-**	**57**	**87**	**144**
Total external assets	**56,024**	**36,873**	**30,558**	**3,574**	**127,029**
Total external liabilities	**39,631**	**9,623**	**31,500**	**38,454**	**119,208**

30/09/2009	**Retail[3]**	**Commercial**	**Institutional**	**Other [4]**	**Total**
External interest income	4,429	2,729	481	(61)	7,578
External interest expense	(1,775)	(533)	(731)	(2,142)	(5,181)
Net intersegment interest	(1,470)	(1,397)	757	2,110	-
Net interest income	1,184	799	507	(93)	2,397
Other external operating income	258	64	259	(13)	568
Share of profit of equity accounted associates and jointly controlled entities	13	-	(2)	2	13
Operating income	1,455	863	764	(104)	2,978
Other external expenses	486	160	111	632	1,389
Net intersegment and related party expenses[2]	464	113	56	(543)	90
Operating expenses	950	273	167	89	1,479
Profit before provision for credit impairment	505	590	597	(193)	1,499
Provision for credit impairment	368	419	96	-	883
Profit before income tax	137	171	501	(193)	616
Income tax expense	36	50	144	192	422
Profit after income tax	101	121	357	(385)	194
Other information					
Depreciation and amortisation	13	2	2	35	52
Goodwill	1,138	1,052	1,072	-	3,262
Intangible assets - definite life	45	9	2	4	60
Shares in associates and jointly controlled entities	329	-	61	74	464
Total external assets	55,464	37,541	31,055	2,254	126,314
Total external liabilities	38,962	10,510	38,659	30,868	118,999

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

Notes to the Financial Statements

[2] Net intersegment and related party expenses are eliminated at the Overseas Banking Group level.
[3] Includes a loss of $82 million (30/9/2009 nil) on acquisition of ING NZ (refer Note 41) and a charge of $nil (30/9/2009 $211 million) in relation to ING NZ Funds (refer Note 37).
[4] This segment has negative external revenues as this segment incurs funding costs on behalf of ANZ New Zealand and is reimbursed internally.

8. Liquid assets

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Cash and balances with central banks	**1,830**	2,373	**-**	-
Money at call	**328**	341	**-**	-
Bills receivable and remittances in transit	**81**	48	**-**	-
Total liquid assets	**2,239**	2,762	**-**	-
Included within liquid assets is the following balance:				
Overnight balances with central banks	**1,670**	2,207	**-**	-

9. Due from other financial institutions

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Able to be withdrawn without prior notice	**457**	172	**-**	-
Securities purchased under agreement to resell	**176**	1,083	**-**	-
Securities purchased under agreement to resell with central banks	**170**	-	**-**	-
Security settlements	**1,535**	117	**-**	-
Certificates of deposit	**707**	2,338	**-**	-
Reserve bank bills	**-**	398	**-**	-
Term loans and advances	**451**	406	**-**	-
Total due from other financial institutions	**3,496**	4,514	**-**	-

None of these assets were used to secure deposit obligations or were encumbered through repurchase agreements at 30 September 2010 (30/09/2009 $nil).

10. Trading securities

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Government, Local Body stock and bonds	**3,917**	1,389	**-**	-
Certificates of deposit	**32**	191	**-**	-
Promissory notes	**64**	28	**-**	-
Other bank bonds	**2,655**	2,475	**-**	-
Other	**89**	83	**-**	-
Total trading securities	**6,757**	4,166	**-**	-
Assets encumbered through repurchase agreements included in trading securities	**222**	159	**-**	-

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 asset and liability management activities (i.e. balance sheet risk management).

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 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.

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

	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	-	-	-
Collateral received / paid	n/a	(361)	(1,242)	n/a	-	-
	149,527	2,385	2,932	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						
Fuel derivatives	62	1	1	-	-	-
Electricity derivatives	6	1	1	-	-	-
Total derivatives held for trading	613,924	10,094	10,155	20,987	500	72
Derivatives held for hedging						
(a) 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	-	-	-
(b) 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
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

Notes to the Financial Statements

30/09/2009 $ millions	ANZ New Zealand Notional Principal Amount	Fair values Assets	Liabilities	NZ Branch Notional Principal Amount	Fair values Assets	Liabilities
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	29,918	684	1,581	557	1	3
Swap agreements	76,468	2,398	4,076	8,519	-	245
Options purchased	1,018	42	-	-	-	-
Options sold	953	-	52	-	-	-
Collateral received / paid	n/a	(115)	(2,908)	n/a	-	-
	108,357	3,009	2,801	9,076	1	248
Interest rate derivatives						
Forward rate agreements	30,526	2	3	1,972	-	-
Swap agreements	375,488	7,387	6,986	2,058	2	4
Futures contracts	20,647	45	2	-	-	-
Options purchased	2,026	23	-	-	-	-
Options sold	2,034	-	23	-	-	-
	430,721	7,457	7,014	4,030	2	4
Commodity derivatives						
Fuel derivatives	23	1	1	-	-	-
Electricity derivatives	13	1	1	-	-	-
Total derivatives held for trading	539,114	10,468	9,817	13,106	3	252
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	15,902	140	111	-	-	-
Total derivatives designated as cash flow hedges	15,902	140	111	-	-	-
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	18	-	-	-	-	-
Interest rate derivatives						
Swap agreements	30,051	407	1,046	6,485	31	2
Total derivatives designated as fair value hedges	30,069	407	1,046	6,485	31	2
Total derivatives held for hedging	45,971	547	1,157	6,485	31	2
Total derivative financial instruments	585,085	11,015	10,974	19,591	34	254

Hedging relationships

ANZ New Zealand has entered into two types of allowable hedging: fair value hedges and cash flow hedges. For details on the accounting treatment of each type of hedging relationship refer to Note 1.

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.

Notes to the Financial Statements

Gain / (loss) on fair value hedges attributable to the hedged risk

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Gain or (loss) arising from fair value hedges:				
- hedged item	**(458)**	115	**66**	(27)
- hedging instrument	**438**	(108)	**(76)**	35
Net ineffectiveness on qualifying fair value hedges	**(20)**	7	**(10)**	8

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 profile. This forms the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges.

Analysis of the cash flow hedging reserve

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Balance at beginning of the year	**23**	24	**-**	-
Valuation gain / (loss) taken to equity	**89**	(1)	**-**	-
Tax effect of valuation loss / (gain) taken to equity	**(25)**	1	**-**	-
Transferred to income statement	**21**	(3)	**-**	-
Tax effect of items transferred to income statement	**(6)**	2	**-**	-
Balance at end of the year	**102**	23	**-**	-
Attributable to:				
Variable rate loan assets	**200**	149	**-**	-
Variable rate liabilities	**(34)**	(29)	**-**	-
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**(64)**	(97)	**-**	-
Total cash flow hedging reserve	**102**	23	**-**	-

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 (30/09/2009 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 (30/09/2009 less than $1 million).

There were no transactions where cash flow hedge accounting ceased in the year ended 30 September 2010 as a result of highly probable cash flows that were no longer expected to occur (30/09/2009 no transactions).

12. Available-for-sale assets

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Government, Local Body stock and bonds	**1,939**	1,394	**-**	-
Other debt securities	**193**	48	**-**	-
Equity securities	**78**	71	**-**	-
Total available-for-sale assets	**2,210**	1,513	**-**	-

Notes to the Financial Statements

13. Net Loans and Advances

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Overdrafts	**2,131**	2,087	**-**	-
Credit card outstandings	**1,388**	1,402	**-**	-
Term loans - housing	**53,892**	53,458	**10,029**	8,795
Term loans - non-housing	**39,179**	40,231	**-**	-
Finance lease receivables	**726**	683	**-**	-
Gross loans and advances	**97,316**	97,861	**10,029**	8,795
Provision for credit impairment (Note 15)	**(1,420)**	(1,281)	**(22)**	(9)
Unearned finance income	**(273)**	(262)	**-**	-
Fair value hedge adjustment	**386**	681	**40**	(27)
Deferred fee revenue and expenses	**(50)**	(53)	**(1)**	(1)
Capitalised brokerage/mortgage origination fees	**56**	78	**13**	16
Total net loans and advances	**96,015**	97,024	**10,059**	8,774

As at 30 September 2010 ANZ New Zealand has not entered into any repurchase agreements for residential mortgage-backed securities with the RBNZ (30/09/2009 repurchase agreements of $1,806 million). Therefore no underlying collateral has been accepted by the RBNZ under this transaction (30/09/2009 mortgages to the value of $2,250 million were held by the RBNZ as collateral).

14. Impaired Assets, Past Due Assets and Other Assets Under Administration

Individually impaired assets $ millions	ANZ New Zealand Retail mortgages	ANZ New Zealand Other retail exposures	ANZ New Zealand Corporate exposures	ANZ New Zealand Total	NZ Branch Retail mortgages	NZ Branch Other retail exposures	NZ Branch Corporate exposures	NZ Branch Total
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**
30/09/2009								
Balance at beginning of the year	83	30	214	327	-	-	-	-
Transfers from productive	586	243	882	1,711	10	-	-	10
Transfers to productive	(22)	(20)	(25)	(67)	-	-	-	-
Assets realised or loans repaid	(232)	(45)	(230)	(507)	-	-	-	-
Write offs	(28)	(149)	(101)	(278)	-	-	-	-
Individually impaired asset balance at end of the year	387	59	740	1,186	10	-	-	10
Restructured items	2	-	-	2	-	-	-	-
Total impaired assets	389	59	740	1,188	10	-	-	10

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.

Notes to the Financial Statements

Restructured assets	ANZ New Zealand				NZ Branch			
$ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total	Retail mortgages	Other retail exposures	Corporate exposures	Total
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**	**-**	**-**	**-**	**-**
30/09/2009								
Balance at beginning of the year	-	-	-	-	-	-	-	-
Transfers to restructured items	2	-	18	20	-	-	-	-
Transfers from restructured items	-	-	(18)	(18)	-	-	-	-
Balance at end of the year	2	-	-	2	-	-	-	-

Renegotiated loans
Renegotiated loans are loans that would otherwise be past due or impaired had their terms not been renegotiated. At 30 September 2010, loans and advances of $621 million were renegotiated in ANZ New Zealand (30/09/2009 $266 million). No loans and advances were renegotiated in the NZ Branch (30/09/2009 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 (30/09/2009 $nil).

Past due assets
A past due asset is any loan where the counterparty has failed to make a payment when contractually due, and which is not an impaired asset. A 90 days past due asset is any past due asset which has not been operated by the counterparty within its key terms for at least 90 days. Further analysis of past due assets can be found in the Financial Risk Management note, including an ageing analysis of all past due assets 1 day and over where the counterparty has failed to make a payment when contractually due.

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.

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.

Notes to the Financial Statements

30/09/2010 $ millions	ANZ New Zealand Retail mortgages	Other retail exposures	Corporate exposures	Total	NZ Branch Retail mortgages	Other retail exposures	Corporate exposures	Total
Past due assets (90 days past due assets) [1]								
Balance at beginning of the year	**276**	**59**	**111**	**446**	**11**	**-**	**-**	**11**
Transfers to past due assets	**530**	**127**	**510**	**1,167**	**80**	**-**	**-**	**80**
Transfers from past due assets	**(653)**	**(153)**	**(494)**	**(1,300)**	**(70)**	**-**	**-**	**(70)**
Balance at end of the year	**153**	**33**	**127**	**313**	**21**	**-**	**-**	**21**
Other assets under administration								
Balance at beginning of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to other assets under administration	**-**	**-**	**4**	**4**	**-**	**-**	**-**	**-**
Transfers from other assets under administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of the year	**-**	**-**	**4**	**4**	**-**	**-**	**-**	**-**
Undrawn facilities with impaired customers								
Balance at beginning of the year	**-**	**-**	**32**	**32**	**-**	**-**	**-**	**-**
Net transfers to / (from) undrawn facilities with impaired customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of the year	**-**	**-**	**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 foregone on impaired loans	**28**	**4**	**27**	**59**	**1**	**-**	**-**	**1**

30/09/2009	ANZ New Zealand Retail mortgages	Other retail exposures	Corporate exposures	Total	NZ Branch Retail mortgages	Other retail exposures	Corporate exposures	Total
Past due assets (90 days past due assets) [1]								
Balance at beginning of the year	244	54	11	309	-	-	-	-
Transfers to past due assets	864	149	448	1,461	12	-	-	12
Transfers from past due assets	(832)	(144)	(348)	(1,324)	(1)	-	-	(1)
Balance at end of the year	276	59	111	446	11	-	-	11
Other assets under administration								
Balance at beginning of the year	-	-	1	1	-	-	-	-
Transfers to other assets under administration	-	-	42	42	-	-	-	-
Transfers from other assets under administration	-	-	(43)	(43)	-	-	-	-
Balance at end of the year	-	-	-	-	-	-	-	-
Undrawn facilities with impaired customers								
Balance at beginning of the year	-	-	6	6	-	-	-	-
Net transfers to / (from) undrawn facilities with impaired customers	-	-	26	26	-	-	-	-
Balance at end of the year	-	-	32	32	-	-	-	-
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	22	4	42	68	-	-	-	-
Interest recognised	(4)	(1)	(3)	(8)	-	-	-	-
Net interest forgone on impaired loans	18	3	39	60	-	-	-	-

[1] 90 day past due assets not classified as impaired assets are either 90 days or more past due and well secured, or are portfolio managed facilities that can be held for up to 180 days past due.

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 Corporate exposures	ANZ New Zealand Total	NZ Branch Retail mortgages	NZ Branch Other retail exposures	NZ Branch Corporate exposures	NZ Branch Total
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**	**11**	**-**	**-**	**12**
Total provision for credit impairment	**340**	**199**	**881**	**1,420**	**22**	**-**	**-**	**23**
30/09/2009								
Collective provision								
Balance at beginning of the year	81	164	289	534	-	-	-	-
Charge to income statement	46	(5)	229	270	6	-	-	6
Balance at end of the year	127	159	518	804	6	-	-	6
Individual provision (individually impaired assets)								
Balance at beginning of the year	28	10	94	132	-	-	-	-
Charge to income statement	155	161	297	613	3	-	-	3
Recoveries of amounts previously written off	1	18	1	20	-	-	-	-
Bad debts written off	(28)	(149)	(101)	(278)	-	-	-	-
Discount unwind[1]	-	-	(10)	(10)	-	-	-	-
Balance at end of the year	156	40	281	477	3	-	-	3
Total provision for credit impairment	283	199	799	1,281	9	-	-	9

[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**	**Corporate exposures**	**Total**	**Retail mortgages**	**Other retail exposures**	**Corporate exposures**	**Total**
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**
Charge to income statement	**134**	**110**	**212**	**456**	**20**	**-**	**-**	**20**
30/09/2009								
New and increased provisions	165	182	316	663	3	-	-	3
Provision releases	(9)	(3)	(18)	(30)	-	-	-	-
	156	179	298	633	3	-	-	3
Recoveries of amounts previously written off	(1)	(18)	(1)	(20)	-	-	-	-
Individual provision charge	155	161	297	613	3	-	-	3
Collective provision charge	46	(5)	229	270	6	-	-	6
Charge to income statement	201	156	526	883	9	-	-	9

16. Controlled Entities, Associates and Jointly Controlled Entities

	ANZ New Zealand		**NZ Branch**	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Shares in associates	**143**	211	**-**	-
Shares in jointly controlled entities	**1**	253	**-**	-
Total shares in controlled entities, associates and jointly controlled entities	**144**	464	**-**	-

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	Finance 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
APAC Investments Limited[3]	65	31 December	Finance company
Arawata Assets Limited	100	30 September	Property company
Arawata Capital Limited	100	30 September	Investment company
Arawata Finance Limited	100	30 September	Investment company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Securities Limited [2]	100	30 September	Non operative
Arawata Trust	-	30 September	Finance entity
Arawata Trust Company	100	30 September	Investment company
Argosy Property Management Limited (formerly ING Property Trust Management Limited)[1]	100	31 March	Management company
Australian Properties Ltd[1]	100	30 September	Management company
AUT Investments Limited (formerly ING NZ AUT Investments Limited) [1]	100	30 September	Holding company
BHI Limited	100	30 September	Investment company
CBC Finance Limited (registered in British Virgin Islands)	100	31 December	Non operative
Control Nominees Limited	100	30 September	Finance company
Direct Broking Limited	100	30 September	On-line share broker
Direct Nominees Limited	100	30 September	Nominee company
Diversified Yield Fund (formerly ING Diversified Yield Fund, registered in Australia) [1]	99	30 June	Fixed income fund
Eastern Specialists Consulting Ltd[1]	100	30 September	Holding company
EFTPOS New Zealand Limited	100	30 September	EFTPOS service provider
Endeavour Finance Limited	100	30 September	Investment company
General Finance Custodians Limited	-	31 March	Mortgage finance
Harcourt Corporation Limited	100	30 September	Investment company
Karapiro Investments Limited	100	30 September	Non operative
Kingfisher NZ Trust 2008-1	-	30 September	Finance entity
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	Finance company
OneAnswer Nominees Limited[1]	100	30 September	Finance company
OnePath (NZ) Limited (formerly ING (NZ) Limited) [1]	100	30 September	Finance company
OnePath Holdings (NZ) Limited (formerly ING (NZ) Holdings Limited) [1]	100	30 September	Holding company
OnePath Insurance Holdings (NZ) Limited (formerly ING Insurance Holdings Limited) [1]	100	30 September	Holding company
OnePath Insurance Services (NZ) Limited (formerly ING Insurance Services (NZ) Limited) [1]	100	30 September	Insurance company
OnePath Life (NZ) Limited (formerly ING Life (NZ) Limited) [1]	100	30 September	Insurance company
OnePath Nominees (NZ) Limited (formerly ING (NZ) Nominees Limited) [1]	100	30 September	Finance company
Origin Mortgage Management Services Limited	-	31 March	Mortgage finance
Origin Mortgage Management Services (2008) Limited	-	31 March	Mortgage finance
Private Nominees Limited	100	30 September	Nominee company
Radiola Corporation Limited	100	30 September	Non operative
Regular Income Fund (formerly ING Regular Income Fund, registered in Australia) [1]	99	30 June	Fixed income fund
Rural Growth Fund Limited	100	30 September	Investment company
Samson Funding Limited	100	30 September	Finance company
Silver Fern Life Brokers Limited[1]	100	30 September	Insurance company
South Pacific Merchant Finance Limited	100	30 September	Investment company
Southpac Corporation Limited	100	30 September	Investment company

Notes to the Financial Statements

Trillium Holdings Limited [2]	100	30 September	Non operative
Tui Securities Limited[2]	100	30 September	Non operative
UDC Finance Limited	100	30 September	Finance company
Vital Healthcare Australian Properties Proprietary Limited (formerly ING Medical Australian Properties Proprietary Limited, registered in Australia) [1]	100	30 September	Holding company
Vital Healthcare Management Limited (formerly ING Medical Properties Limited)[1]	100	31 March	Management company

[1] Controlling stake acquired on 30 November 2009.
[2] Currently being wound up.
[3] Sold on 1 October 2010.

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

For all controlled entities, with the exception of General Finance Custodians Limited, Origin Mortgage Management Services Limited and Origin Mortgage Management Services 2008 Limited, the ownership interest percentage 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 Trusts. In relation to Kingfisher NZ Trust 2008-1 control exists as ANZ New Zealand retains substantially all the risks and rewards of the operations.

Movements in controlled entities
In October 2008, Kingfisher Trust 2008-1 was established.

In October 2008, ETRADE New Zealand Limited, ETRADE New Zealand Securities Limited and ETRADE New Zealand Securities Nominees Limited were deregistered.

In April 2009, ANZ New Zealand ceased to control Marmion Trust. Control previously existed through the undertaking of the majority of risks and rewards relating to a particular transaction. This transaction was unwound in April 2009.

On 30 November 2009 ANZ New Zealand acquired control over ING NZ and its subsidiary companies, which had previously been treated as jointly controlled entities, and of the ING Diversified Yield Fund and the ING Regular Income Fund, which had been previously treated as investments in associates.

In June 2010 Airlie Investments Limited, Endeavour Securities Limited and Sefton Finance Limited were deregistered.

In August 2010 the following companies were amalgamated:
- Harcourt Investments Limited and Corvine Investments Limited into their direct parent company, Harcourt Corporation Limited;
- NBNZ Finance Limited into its direct parent company, Alos Holdings Limited,
- Tui Endeavour Limited into its direct parent company, Endeavour Finance Limited; and
- Arawata Funding Limited, Culver Finance Limited and Cortland Finance Limited into their direct parent company, Arawata Finance Limited.

In September 2010 all the assets of three subsidiaries, Arawata Securities Limited, Trillium Holdings Limited and Tui Securities Limited, were distributed up to their direct parent company, the Bank, as part of the process of winding them up.

Associates

	ANZ New Zealand		**NZ Branch**	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Balance at beginning of the year	**211**	144	**-**	-
Acquisitions	**-**	67	**-**	-
Transfers to subsidiary company	**(96)**	-	**-**	-
Impairment	**(4)**	(2)	**-**	-
Share of profit of equity accounted associates	**34**	2	**-**	-
Dividends received from associates	**(2)**	-	**-**	-
Balance at end of the year	**143**	211	**-**	-

In August 2009, ANZ New Zealand acquired an interest in the ING Diversified Yield Field and ING Regular Income Fund, giving it significant influence over these entities.

In September 2009, Electronic Transactions Services Limited changed its name to Paymark Limited.

On 30 November 2009 ANZ New Zealand acquired control over the ING Diversified Yield Fund and the ING Regular Income Fund, which had been previously treated as investments in associates.

Notes to the Financial Statements

Shares in associates at 30 September 2010 includes goodwill of $56 million (30/09/2009 $57 million) for ANZ New Zealand and $nil (30/09/2009 $nil) for the NZ Branch.

All of the following associates are incorporated in New Zealand, except for the ING Diversified Yield Fund and the ING Regular Income Fund which are incorporated in Australia.

Associates	**30/09/2010 Book Value $m**	30/09/2009 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Bennetts Financial Services Limited	**1**	-	20	20	31 March	Financial services
Cards NZ Limited	**85**	85	30	15	30 September	Card services
ING Diversified Yield Fund	**-**	46	49	49	30 June	Fixed income fund
ING Regular Income Fund	**-**	21	49	49	30 June	Fixed income fund
NZ Poultry Enterprises Limited	**43**	41	20	20	30 April	Poultry processor
Paymark Limited	**2**	2	25	25	31 March	EFTPOS settlements
UCG Investments Limited	**10**	13	40	40	31 March	Rest home operator
Wyma Engineering (NZ) Limited	**2**	3	31	31	31 March	Agricultural machinery supplier
Total investment in associates	**143**	211				

Jointly Controlled Entities

$ millions	ANZ New Zealand **30/09/2010**	ANZ New Zealand 30/09/2009	NZ Branch **30/09/2010**	NZ Branch 30/09/2009
Balance at beginning of the year	**253**	219	**-**	-
Acquisitions	**-**	23	**-**	-
Disposals	**(2)**	-	**-**	-
Transfers to subsidiary company	**(255)**	-	-	-
Impairment	**(3)**	-	-	-
Share of profit of equity accounted jointly controlled entities	**8**	11	**-**	-
Balance at end of the year	**1**	253	**-**	-

Jointly controlled entities	**30/09/2010 Book Value $m**	30/09/2009 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Argenta Limited	**1**	2	21	21	31 July	Manufacture and marketing of animal remedies
BCS Group Limited	**-**	2	40	40	30 June	Manufacturer of baggage handling systems
ING (NZ) Holdings Limited	**-**	248	50	49	31 December	Funds management and insurance
JMI Aerospace Limited	**-**	1	33	33	31 March	Airline maintenance
Total investment in jointly controlled entities	**1**	253				

Shares in jointly controlled entities at 30 September 2010 includes goodwill of $nil million 30/09/2009 $94 million) for ANZ New Zealand and $nil million (30/09/2009 $nil million) for the NZ Branch.

On 30 November 2009 ANZ New Zealand acquired control over ING NZ and its subsidiary companies which had previously been treated as jointly controlled entities.

In December 2009 ANZ New Zealand sold its interest in JMI Aerospace Limited and in September 2010 ANZ New Zealand sold its interest in BCS Group Limited.

There are no unrecognised losses in respect of any of ANZ New Zealand's jointly controlled entities. ANZ New Zealand's share of the contingent liabilities of its joint ventures are incurred jointly with other investors. Other than as referred to in Note 37, there were no material contingent liabilities as at 30 September 2010 (30/09/2009 $nil).

Notes to the Financial Statements

The summarised financial information relating to ANZ New Zealand's investment in ING (NZ) Holdings Limited prior to it becoming a subsidiary is as follows:

	ANZ New Zealand	
$ millions	**30/09/2010**	30/09/2009
Share of assets and liabilities		
Investments	**-**	91
Other assets	**-**	171
Total assets	**-**	262
Life insurance policy liabilities	**-**	(46)
Other liabilities	**-**	63
Total liabilities	**-**	17
Net assets	**-**	245
Share of revenue, expenses and results		
Net underwriting result	**16**	84
Other revenue	**4**	32
Total revenue	**20**	116
Expenses	**15**	108
Profit before income tax	**5**	8
Income tax credit	**(1)**	(5)
Profit after tax	**6**	13
Share of commitments		
Lease commitments	**-**	17

17. Other Assets

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Accrued interest and prepaid discounts	**391**	397	**-**	-
Accrued commission	**25**	19	**-**	-
Share-based payments asset	**57**	52	**-**	-
Prepaid expenses	**60**	86	**-**	-
Security settlements	**81**	291	**-**	-
Other assets	**356**	296	**3**	-
Total other assets	**970**	1,141	**3**	-

Notes to the Financial Statements

18. Deferred Tax Assets and Liabilities

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Deferred tax assets / (liabilities)				
Balance at beginning of the year	**(15)**	118	**3**	-
Credited / (charged) to income statement[1]	**316**	(136)	**4**	3
Credited / (charged) directly to equity	**(32)**	3	**-**	-
Acquired through a business combination	**35**	-	**-**	-
Balance at end of the year	**304**	(15)	**7**	3
Deferred tax assets / (liabilities) comprise the following temporary differences:				
Provision for credit impairment	**397**	384	**6**	3
Premises and equipment, software and intangibles	**(20)**	7	**-**	-
Provisions and accruals	**150**	191	**1**	-
Deferred acquisition costs and policy holder liabilities	**(72)**	-	**-**	-
Financial instruments	**(39)**	(7)	**-**	-
Carried forward losses	**82**	-	**-**	-
Lease finance	**(126)**	(113)	**-**	-
Other deferred tax assets and liabilities (including provisions)	**(68)**	(477)	**-**	-
Net deferred tax assets / (liabilities)[2]	**304**	(15)	**7**	3
Deferred tax credited / (charged) to the income statement comprises the following temporary differences:				
Provision for credit impairment	**13**	184	**3**	3
Premises and equipment, software and intangibles	**(5)**	(4)	**-**	-
Provisions and accruals	**(72)**	66	**1**	-
Deferred acquisition costs and policy holder liabilities	**(21)**	-	**-**	-
Financial instruments	**(7)**	(3)	**-**	-
Carried forward losses	**5**	-	**-**	-
Lease finance	**(13)**	(23)	**-**	-
Other deferred tax assets and liabilities (including provisions)	**416**	(356)	**-**	-
Total deferred tax charged / (credited) to the income statement	**316**	(136)	**4**	3
Deferred tax credited / (charged) to equity comprises the following temporary differences:				
Financial instruments	**(32)**	3	**-**	-
Total deferred tax charged / (credited) directly to equity	**(32)**	3	**-**	-

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. Premises and Equipment

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Freehold and leasehold land and buildings				
At cost	**63**	69	-	-
Accumulated depreciation	**(11)**	(12)	-	-
Balance at beginning of year	**52**	57	-	-
Additions	**22**	10	-	-
Disposals	**-**	(15)	-	-
Depreciation	**(1)**	-	-	-
At cost	**85**	63	-	-
Accumulated depreciation	**(12)**	(11)	-	-
Balance at end of year	**73**	52	-	-
Leasehold improvements				
At cost	**99**	98	-	-
Accumulated depreciation	**(78)**	(75)	-	-
Balance at beginning of year	**21**	23	-	-
Additions	**3**	3	-	-
Depreciation	**(5)**	(5)	-	-
At cost	**101**	99	-	-
Accumulated depreciation	**(82)**	(78)	-	-
Balance at end of year	**19**	21	-	-
Furniture and equipment				
At cost	**265**	255	-	-
Accumulated depreciation	**(191)**	(176)	-	-
Balance at beginning of year	**74**	79	-	-
Additions	**38**	10	-	-
Acquired as part of business combination	**2**	-	-	-
Disposals	**-**	(1)	-	-
Depreciation	**(17)**	(14)	-	-
At cost	**302**	265	-	-
Accumulated depreciation	**(205)**	(191)	-	-
Balance at end of year	**97**	74	-	-
Computer and office equipment				
At cost	**251**	246	-	-
Accumulated depreciation	**(200)**	(196)	-	-
Balance at beginning of year	**51**	50	-	-
Additions	**62**	24	-	-
Acquired as part of business combination	**2**	-	-	-
Disposals	**(1)**	(4)	-	-
Depreciation	**(24)**	(19)	-	-
At cost	**291**	251	-	-
Accumulated depreciation	**(201)**	(200)	-	-
Balance at end of year	**90**	51	-	-
Work in progress				
Balance at beginning of year	**80**	33	-	-
Net additions / (capitalisations)	**(48)**	47	-	-
Balance at end of year	**32**	80	-	-
Total premises and equipment	**311**	278	-	-

Notes to the Financial Statements

20. Goodwill and Other Intangible Assets

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Goodwill				
Balance at beginning of year	**3,262**	3,262	**-**	-
Balance at end of year	**3,262**	3,262	**-**	-
Software				
At cost	**115**	96	-	-
Accumulated amortisation	**(58)**	(47)	-	-
Balance at beginning of year	**57**	49	**-**	-
Additions from internal developments	**42**	19	**-**	-
Acquired in a business combination	**1**	-	**-**	-
Amortisation expense[1]	**(16)**	(11)	**-**	-
Net book value of software impaired / written off	**(2)**	-	**-**	-
At cost	**147**	115	**-**	-
Accumulated amortisation	**(65)**	(58)	**-**	-
Balance at end of year	**82**	57	**-**	-
Other intangible assets				
At cost	**6**	4	**-**	-
Accumulated amortisation	**(3)**	(1)	**-**	-
Balance at beginning of year	**3**	3	**-**	-
Additions from purchases	**-**	9	**-**	-
Acquired in a business combination	**209**	-	**-**	-
Amortisation expense[1]	**(8)**	(2)	**-**	-
Net book value of other intangible assets impaired / written off	**(3)**	(7)	**-**	-
At cost	**209**	6	-	-
Accumulated amortisation	**(8)**	(3)	**-**	-
Balance at end of year	**201**	3	**-**	-
Total goodwill and other intangible assets	**3,545**	3,322	**-**	-

[1] Software and other intangibles amortisation expense is included in 'other costs' in the Income Statement.

The goodwill balance above largely comprises the goodwill purchased on acquisition of NBNZ Holdings Limited in December 2003. Refer Note 2 for discussion of impairment testing for this goodwill.

21. Due to Other Financial Institutions

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Due to other financial institutions	**12,071**	10,549	**10,481**	8,801
Securities sold under agreements to repurchase from other financial institutions	**222**	159	**-**	-
Securities sold under agreements to repurchase from central banks[1]	**-**	1,806	**-**	-
Total due to other financial institutions	**12,293**	12,514	**10,481**	8,801

[1] As at 30 September 2010 ANZ New Zealand had entered into no repurchase agreements for residential mortgage-backed securities with the RBNZ (30/09/2009 $1,806 million). Therefore no underlying collateral had been accepted by the RBNZ in relation to repurchase agreements (30/09/2009 residential mortgages to the value of $2,250 million were held by RBNZ as collateral).

Notes to the Financial Statements

22. Deposits and Other Borrowings

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Amortised cost				
Certificates of deposit	**3,245**	4,441	**-**	-
Term deposits	**34,687**	32,997	**-**	-
Demand deposits bearing interest	**18,714**	21,024	**-**	-
Deposits not bearing interest	**4,964**	4,373	**-**	-
Secured debenture stock	**1,378**	1,537	**-**	-
Total deposits and other borrowings recognised at amortised cost	**62,988**	64,372	**-**	-
Fair value through profit or loss				
Commercial paper	**7,307**	7,392	**-**	-
Total deposits and other borrowings recognised at fair value	**7,307**	7,392	**-**	-
Total deposits and other borrowings	**70,295**	71,764	**-**	-
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	**7,305**	7,388	**-**	-
Secured debenture stock is secured over:				
Carrying value of total tangible assets of UDC Finance Limited	**2,111**	1,877	**-**	-

ANZ New Zealand has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the year ended 30 September 2010 (30/09/2009 $nil). 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.

23. Payables and Other Liabilities

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Creditors	**98**	81	**-**	-
Accrued interest and unearned discounts	**623**	732	**67**	41
Defined benefit schemes deficit	**26**	55	**-**	-
Share-based payments liability	**28**	28	**-**	-
Accrued charges	**311**	257	**3**	2
Security settlements	**195**	205	**-**	-
Equitable assignment of mortgages[1]	**16**	19	**-**	-
Other liabilities	**137**	170	**-**	-
Total payables and other liabilities	**1,700**	1,547	**70**	43

[1] The ANZ FlexiMortgage Income Trust holds mortgages under an equitable assignment with the Bank. The ANZ FlexiMortgage Income Trust can at any time require the Bank to repurchase any mortgage. The Bank may also require repurchase in certain circumstances. The mortgages are included in these financial statements.

Notes to the Financial Statements

24. Provisions

$ millions	ANZ New Zealand 30/09/2010	30/09/2009	NZ Branch 30/09/2010	30/09/2009
Non-lending losses, frauds and forgeries	**3**	4	**-**	-
Employee entitlements				
Balance at beginning of the year	**119**	117	**-**	-
Provisions made during the year	**59**	60	**-**	-
Payments made during the year	**(58)**	(58)	**-**	-
Acquired as part of a business combination	**7**	-	**-**	-
Balance at end of the year	**127**	119	**-**	-
Personnel restructuring costs				
Balance at beginning of the year	**6**	32	**-**	-
Provisions made during the year	**-**	17	**-**	-
Payments made during the year	**(4)**	(43)	**-**	-
Balance at end of the year	**2**	6	**-**	-
Redundant assets restructuring costs				
Balance at beginning of the year	**18**	1	**-**	-
Provisions made during the year	**13**	17	**-**	-
Payments made during the year	**(9)**	-	**-**	-
Balance at end of the year	**22**	18	**-**	-
Other provisions				
Balance at beginning of the year	**136**	29	**-**	-
Provisions made during the year	**11**	257	**-**	-
Payments made during the year	**(68)**	(150)	**-**	-
Transfer/release of provision	**(6)**	-	**-**	-
Acquired as part of business combination	**88**	-	**-**	-
Balance at end of the year	**161**	136	**-**	-
Total provisions	**315**	283	**-**	-

Employee entitlements
The provision for employee entitlements provides mainly for the cost of employee entitlements to 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. 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 2010 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 the ING New Zealand Funds (refer to Note 37 for further information) and the fair value of other contingent liabilities and provisions acquired as part of the acquisition of ING NZ.

Notes to the Financial Statements

25. Bonds and Notes

$ millions					ANZ New Zealand	
Currency	**Face value**	**Type of note**	**Maturity**	**Interest rate %**	**30/09/2010**	30/09/2009
Issued by the Bank						
NZD	70m	floating rate notes	2010	3 month BKBM + 0.35%	**70**	70
NZD	100m	fixed rate notes	2010	8.50%	**-**	100
NZD	75m	fixed rate notes	2010	8.50%	**-**	75
NZD	65m	fixed rate notes	2010	3 month BKBM + 0.80%	**-**	65
NZD	50m	floating rate notes	2011	3 month BKBM + 1.24%	**50**	50
NZD	150m	fixed rate notes	2011	6.80%	**150**	150
NZD	170m	floating rate notes	2011	3 month BKBM + 0.90%	**170**	170
NZD	50m	fixed rate notes	2011	8.25%	**50**	50
NZD	100m	floating rate notes	2012	3 month BKBM + 1.025%	**100**	100
NZD	150m	fixed rate notes	2012	5.63%	**150**	150
NZD	40m	floating rate notes	2012	3 month BKBM + 0.90%	**40**	-
NZD	100m	fixed rate notes	2013	6.32%	**100**	-
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**	-
NZD	350m	fixed rate notes	2015	6.51%	**350**	-
Index linked notes					**100**	78
Fair value hedge adjustment					**365**	223
Less Bond instruments held by the Bank					**(23)**	-
					2,157	1,516
Issued by ANZ National (Int'l) Limited						
NZD	150m	floating rate notes	2009	3 month BKBM + 0.10%	**-**	150
USD	300m	floating rate notes	2009	1 month LIBOR + 0.04%	**-**	416
USD	789m	floating rate notes[2]	2009	3 month LIBOR + 0.24%	**-**	1,093
JPY	6,000m	floating rate notes	2009	3 month JPY LIBOR	**-**	92
USD	8m	floating rate notes[1]	2010	1 month LIBOR + 0.03%	**-**	11
USD	750m	floating rate notes	2010	3 month LIBOR + 0.11%	**-**	1,039
NZD	100m	floating rate notes	2010	3 month BKBM + 0.05%	**-**	100
CHF	275m	floating rate notes	2010	3 month CHF LIBOR + 0.75%	**-**	369
SGD	200m	fixed rate notes	2010	3.22%	**-**	196
USD	100m	floating rate notes	2010	3 month LIBOR + 0.55%	**-**	139
AUD	50m	floating rate notes	2010	3 month BBSW + 0.61%	**-**	61
USD	890m	floating rate notes[3]	2010	3 month LIBOR + 1.03%	**1,210**	1,234
USD	300m	fixed rate notes	2011	5.50%	**407**	416
GBP	435m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**935**	966
GBP	105m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**226**	233
USD	500m	floating rate notes[4]	2011	3 month LIBOR + 0.18%	**679**	693
USD	250m	floating rate notes	2011	3 month LIBOR + 0.70%	**340**	346
USD	100m	floating rate notes[4]	2011	3 month LIBOR + 0.32%	**136**	139
USD	20m	floating rate notes[4]	2011	3 month LIBOR + 0.20%	**27**	28
USD	100m	floating rate notes	2011	3 month LIBOR + 0.65%	**136**	139
HKD	155m	floating rate notes	2011	3 month HIBOR + 0.51%	**27**	28
GBP	450m	floating rate notes[3]	2012	6 month GBP LIBOR + 0.08%	**968**	999
USD	1,000m	fixed rate notes[4]	2012	3.25%	**1,359**	1,386
USD	500m	fixed rate notes[4]	2012	3.25%	**679**	693
USD	100m	floating rate notes[4]	2012	3 month LIBOR + 0.25%	**136**	139
USD	15m	floating rate notes	2012	3 month LIBOR + 0.80%	**20**	21
USD	1250m	fixed rate notes	2012	2.38%	**1,698**	-
HKD	300m	floating rate notes	2012	3 month HIBOR + 0.71%	**53**	-
USD	2,000m	fixed rate notes	2013	6.20%	**2,717**	2,772
JPY	500m	fixed rate notes	2014	1.40%	**8**	-
JPY	3,000m	fixed rate notes	2014	1.50%	**49**	-
USD	100m	floating rate notes[4]	2014	3 month LIBOR + 0.44%	**136**	139
HKD	100m	fixed rate notes	2014	3.40%	**18**	18
HKD	100m	fixed rate notes	2014	3.03%	**18**	-

Notes to the Financial Statements

CHF	300m	fixed rate notes	2014	2.01%	**417**	-
CHF	250m	fixed rate notes	2014	2.01%	**347**	-
USD	71m	floating rate notes[4]	2014	3 month LIBOR + 0.28%	**96**	-
USD	20m	floating rate notes	2014	3 month LIBOR + 1.10%	**27**	-
USD	50m	floating rate notes	2014	3 month LIBOR + 1.15%	**68**	-
USD	1,050m	floating rate notes[3]	2014	3 month LIBOR + 1.16%	**1,427**	-
HKD	105m	fixed rate notes	2015	3.30%	**18**	-
JPY	500m	floating rate notes	2015	3 month JPY LIBOR + 0.50%	**8**	-
JPY	11,800m	fixed rate notes	2015	1.54%	**192**	-
JPY	7,200m	floating rate notes	2015	3 month JPY LIBOR + 1.00%	**117**	-
SGD	200m	fixed rate notes	2015	2.95%	**206**	-
USD	250m	floating rate notes	2015	3 month LIBOR + 0.90%	**340**	346
USD	1,000m	fixed rate notes	2015	3.13%	**1,359**	-
					16,604	14,401
Issued by Samson Funding Limited						
USD	350m	fixed rate notes[5]	2010	4.484%	**-**	516
USD	750m	fixed rate notes[5]	2053	5.36%	**1,138**	1,107
					1,138	1,623
Total bonds and notes					**19,899**	17,540

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 On 6 March 2009, investors elected not to extend these bonds. As a result these bonds carry a fixed maturity of 5 March 2010.
2 On 10 December 2008, investors elected not to extend which has resulted in these bonds carrying a fixed maturity of 9 October 2009.
3 These notes were issued to subsidiaries of the Overseas Banking Group.
4 As well as being guaranteed by ANZ New Zealand these notes also benefit from a supporting guarantee from the NZ Crown.
5 These notes were issued in two tranches of USD 350 million and USD 750 million by Samson Funding Limited on 26 November 2003. The notes are 'stapled' to preference shares issued by the Ultimate Parent Bank and may not be traded separately from them. The USD 350 million note was repaid on 15 January 2010. The USD 750 million note can be repaid on 15 December 2013. Interest was payable half yearly in arrears at a fixed rate of 4.484% p.a. on the USD 350 million note and is payable at 5.36% p.a. on the USD 750 million note with interest payments due 15 June and 15 December.

26. Loan Capital

	ANZ New Zealand		NZ Branch	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
AUD 265,740,000 perpetual subordinated floating rate loan	**349**	324	**-**	-
AUD 186,100,000 term subordinated floating rate loan	**-**	227	**-**	-
AUD 43,767,507 term subordinated floating rate loan	**58**	53	**-**	-
AUD 169,520,000 term subordinated floating rate loan	**223**	207	**-**	-
Term subordinated fixed rate bonds	**950**	950	**-**	-
Perpetual subordinated bond	**835**	835	**-**	-
Total loan capital issued	**2,415**	2,596	**-**	-
Less loan capital instruments held by ANZ New Zealand	**(8)**	-	**-**	-
Total loan capital	**2,407**	2,596	**-**	-

AUD 265,740,000 loan
This loan was drawn down on 27 September 1996 and 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 186,100,000 loan
This loan was drawn down on 19 April 2005 with an ultimate maturity date of 20 April 2015. On 19 April 2010 the Bank repaid the loan. All interest was payable half yearly in arrears, with interest payments due 19 April and 19 October. Interest was based on BBSW + 0.32% p.a. to 19 April 2010.

AUD 43,767,507 loan
This loan was drawn down on 15 September 2006 with an ultimate maturity date of 15 September 2016. The Bank may elect to repay the loan on 15 September each year commencing from 2011 through to 2015. All interest is payable half yearly in arrears, with interest payments due 15 March and 15 September. Interest is based on BBSW + 0.29% p.a. to 15 September 2011 and increases to BBSW + 0.79% p.a. thereafter.

Notes to the Financial Statements

AUD 169,520,000 loan

This loan was drawn down on 17 September 2007 with 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

As at 30 September 2010, these bonds carried an AA- rating by Standard & Poor's and an A1 by Moodys.

The Bank may elect to redeem the bonds on their call date. If the bonds are not called the Bank will continue to pay interest to maturity at the five year interest rate swap rate plus 0.75% p.a., 0.76% p.a. and 0.62% p.a. for the 15 September 2006; 2 March 2007 and 23 July 2007 bonds respectively. Interest is payable half yearly in arrears based on the fixed coupon rate.

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 2010, this bond carried an A+ rating by Standard and Poor'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). The Bank has been granted a waiver from these rules on the conditions that the Bank's General Disclosure Statement ("GDS") is available on the Bank's website, at any branch and at the NZX; that bondholders are advised by letter that copies of the GDS are available at the above locations; that all bondholders are notified on an ongoing basis, by way of a sentence included on the notification of interest payments, that the latest GDS is available for review at the above locations; and that a copy of the GDS is sent to the NZX on an ongoing basis.

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.

Notes to the Financial Statements

27. Related Party Transactions

$ thousands	ANZ New Zealand		NZ Branch	
	Year to	Year to	**Year to**	Year to
Key management personnel	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Key management personnel compensation				
Salaries and short-term employee benefits	**11,282**	10,748	**-**	-
Post-employment benefits	**352**	373	**-**	-
Other long-term benefits	**1,581**	782	**-**	-
Termination benefits	**931**	58	**-**	-
Share-based payments	**3,911**	4,339	**-**	-
Total compensation of key management personnel	**18,057**	16,300	**-**	-
Loans to key management personnel	**4,056**	4,424	**-**	-
Deposits from key management personnel	**7,539**	5,543	**-**	-

Key management personnel are defined as being Directors and senior management of ANZ New Zealand, those persons having 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. No provision for credit impairment has been recognised for loans made to key management personnel (30/09/2009 $nil).

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.

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	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Interest income				
Received from associates	**7**	2	**-**	-
Received from joint ventures	**2**	3	**-**	-
Interest expense				
Paid to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**481**	354	**416**	171
Paid to Immediate Parent Company	**72**	100	**-**	-
Paid to associates	**2**	4	**-**	-
Other operating income				
Dividends received from associates	**2**	2	**-**	-
Commission received from joint ventures	**6**	39	**-**	-
Operating expenses				
Paid to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**88**	91	**-**	-
Paid to Bank	**-**	-	**26**	10
Costs recovered from joint ventures	**-**	(1)	**-**	-

Notes to the Financial Statements

Balances with related parties

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Due from financial institutions				
Due from Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**1,507**	-	**-**	-
Derivative financial assets				
Due from related entities	**2,548**	2,576	**500**	34
Net loans and advances				
Due from associates	**151**	161	**-**	-
Due from joint ventures	**36**	36	**-**	-
Due from related entities	**-**	-	**302**	341
Shares in associates and joint ventures	**144**	464	**-**	-
Other assets				
Due from Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**37**	28	**-**	-
Total due from related parties	**4,422**	3,264	**802**	375
Due to other financial institutions				
Due to Ultimate Parent Bank	**10,482**	9,286	**10,481**	8,801
Deposits and other borrowings				
Due to associates	**85**	85	**-**	-
Term funding due to Immediate Parent Company	**1,766**	1,766	**-**	-
Derivative financial liabilities				
Due to related entities	**2,658**	2,550	**142**	254
Payables and other liabilities				
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**105**	69	**67**	41
Bonds and notes				
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**3,605**	2,233	-	-
Loan capital				
Due to Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**630**	811	**-**	-
Total due to related parties	**19,330**	16,799	**10,690**	9,096

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:

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Financial guarantees provided to the Ultimate Parent Bank	1,660	1,617	-	-

A provision for credit impairment of $10 million has been recognised for amounts due from associates as at 30 September 2010 (30/09/2009 $10 million). No credit impairment loss was charged during the year ended 30 September 2010 (30/09/2009 $5 million). No other provisions have been recognised on related party balances.

28. Interest Earning and Discount Bearing Assets and Liabilities

$ millions	ANZ New Zealand 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Interest earning and discount bearing assets	**108,325**	109,699	**10,340**	9,114
Interest and discount bearing liabilities	**100,335**	101,741	**10,481**	8,801

Notes to the Financial Statements

29. Current and Non-current Assets and Liabilities

	ANZ New Zealand				NZ Branch			
$ millions	**30/09/2010**		30/09/2009		**30/09/2010**		30/09/2009	
	Current	**Non-current**	Current	Non-current	**Current**	**Non-current**	Current	Non-current
Assets								
Liquid assets	**2,239**	**-**	2,762	-	**-**	**-**	-	-
Due from other financial institutions	**3,496**	**-**	4,451	63	**-**	**-**	-	-
Trading securities	**6,757**	**-**	4,166	-	**-**	**-**	-	-
Derivative financial instruments	**10,854**	**-**	11,015	-	**500**	**-**	34	-
Available-for-sale assets	**1,941**	**269**	1,435	78	**-**	**-**	-	-
Net loans and advances	**25,182**	**70,833**	21,542	75,482	**396**	**9,663**	230	8,544
Due from related entities	**-**	**-**	-	-	**302**	**-**	341	-
Investments relating to insurance business	**11**	**17**	-	-	**-**	**-**	-	-
Insurance policy assets	**-**	**138**	-	-	**-**	**-**	-	-
Shares in controlled entities, associates	**-**	**144**	-	464	**-**	**-**	-	-
Current tax assets	**18**	**-**	115	-	**-**	**-**	-	-
Other assets	**913**	**57**	1,141	-	**3**	**-**	-	-
Deferred tax assets	**327**	**(23)**	-	-	**3**	**4**	1	2
Premises and equipment	**-**	**311**	-	278	**-**	**-**	-	-
Goodwill and other intangible assets	**-**	**3,545**	-	3,322	**-**	**-**	-	-
Total assets	**51,738**	**75,291**	46,627	79,687	**1,204**	**9,667**	606	8,546
Liabilities								
Due to other financial institutions	**4,342**	**7,951**	5,825	6,689	**2,559**	**7,922**	1,951	6,850
Deposits and other borrowings	**68,314**	**1,981**	68,976	2,788	**-**	**-**	-	-
Derivative financial instruments	**10,727**	**-**	10,974	-	**142**	**-**	254	-
Payables and other liabilities	**1,452**	**54**	1,547	-	**70**	**-**	43	
Current tax liability	**-**	**-**	-	-	**45**	**-**	15	-
Deferred tax liabilities	**-**	**-**	135	(120)	**-**	**-**	-	-
Provisions	**228**	**87**	283	-	**-**	**-**	-	-
Bonds and notes	**3,747**	**16,152**	4,789	12,751	**-**	**-**	-	-
Due to related entities	**1,766**	**-**	1,766	-	**-**	**-**	-	-
Loan capital	**-**	**2,407**	811	1,785	**-**	**-**	-	-
Total liabilities	**90,576**	**28,632**	95,106	23,893	**2,816**	**7,922**	2,263	6,850

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 32.

Notes to the Financial Statements

30. Share Capital and Head Office Account

	ANZ New Zealand		NZ Branch	
	30/09/2010	30/09/2009	**30/09/2010**	30/09/2009
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 of the year	**4,005,295,229**	3,210,066,601	-	-
Issue of redeemable preference shares during the year	**-**	795,228,628	-	-
Redeemable preference shares at 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 shares at beginning of the year	**4,960**	3,960	**-**	-
Redeemable preference shares issued during the year	**-**	1,000	**-**	-
	4,960	4,960	**-**	-
Paid in share capital at end of year	**6,413**	6,413	**-**	-
Head office account	**11**	11	**11**	11
Total capital & head office account at end of 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.

No ordinary dividends were paid during the year ended 30 September 2010. On 24 March 2009 ANZ Holdings (New Zealand) Limited (“ANZH”) paid an ordinary dividend of $1 billion to the Immediate Parent Company (being $2.64 per share). On the same day ANZH issued 795,228,628 redeemable preference shares ("RPS") to the value of $1 billion.

Redeemable preference shares

All 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.

During the year ended 30 September 2010 ANZH paid preference share dividends of $492 million (equivalent to $0.25 per share) (30/09/2009 nil).

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.

Notes to the Financial Statements

31. Capital Adequacy

Overseas Banking Group Basel II capital adequacy ratio (unaudited)

	Overseas Banking Group		Ultimate Parent Bank	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
Tier One Capital	**10.1%**	10.6%	**11.0%**	11.6%
Total Capital	**11.9%**	13.7%	**12.3%**	14.2%

Basel II came into force on 1 January 2008. The Overseas Banking Group received accreditation from APRA to apply the Advanced Internal Ratings Based ("Advanced IRB") methodology for credit risk weighted assets and the Advanced Measurement Approach ("AMA") for operational risk weighted asset equivalents.

The Overseas Banking Group has Advanced IRB accreditation under Basel II rules. The Overseas Banking Group met the requirements imposed by APRA as at 30 September year and for the comparative periods shown.

Further details of the Overseas Banking Group's capital adequacy requirements and credit risk management processes can be found in its 2010 Annual Report.

Risk Weighted Credit Risk Exposures

Risk weighted exposures for ANZ New Zealand and NZ Branch have been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' ("BS2") dated October 2010. 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 2010 (unaudited)

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	$m		$m
Cash and short term claims on Government	**3,752**	**0%**	**-**
Long term claims on Government	**3,973**	**10%**	**397**
Claims on banks	**4,859**	**20%**	**972**
Claims on public sector entities	**844**	**20%**	**169**
Residential mortgages	**53,784**	**50%**	**26,892**
Other	**44,343**	**100%**	**44,343**
Non risk weighted assets	**15,474**	**n/a**	**-**
	127,029		**72,773**

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	**1,750**	**100%**	**1,750**	**39%**	**691**
Commitments with certain drawdown	**510**	**100%**	**510**	**62%**	**314**
Transaction related contingent items	**735**	**50%**	**367**	**70%**	**257**
Short term, self liquidating trade related contingencies	**98**	**20%**	**20**	**100%**	**20**
Other commitments to provide financial services which have an original maturity of 1 year or more	**3,789**	**50%**	**1,895**	**100%**	**1,894**
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	**16,600**	**0%**	**-**	**n/a**	**-**
Market related contracts					
- Foreign exchange	**149,580**		**7,109**	**22%**	**1,552**
- Interest rate	**502,764**		**9,682**	**23%**	**2,268**
- Other	**68**		**9**	**67%**	**6**
	675,894		**21,342**		**7,002**

Notes to the Financial Statements

Total Risk Weighted Exposures of the NZ Branch as at 30 September 2010 (unaudited)

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	$m		$m
Claims on banks	204	20%	41
Residential mortgages	10,156	50%	5,078
Other	41	100%	41
Non risk weighted assets	470	n/a	-
	10,871		5,160

Off-balance sheet exposures	Principal amount	Credit conversion factor	Credit equivalent amount	Average counterparty risk weight	Risk weighted exposure
	$m		$m		$m
Other commitments to provide financial services which have an original maturity of 1 year or more	63	50%	32	100%	32
Market related contracts					
- Foreign exchange	10,466	0%	504	20%	101
- Interest rate	17,841	0%	137	20%	27
	28,370		673		160

Market risk

The aggregate market risk exposures below have been calculated in accordance with the RBNZ document 'Capital Adequacy Framework (Standardised Approach)' dated October 2010 ("BS2A").

The peak end-of-day market risk exposures for the quarter are measured over the Overseas Banking Group's equity at the end of the quarter and are calculated separately for each category of exposure. The peak for all categories of exposure may not have occurred at the same time.

	ANZ New Zealand					
	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Overseas Banking Group's Equity	
	As at	Peak	As at	Peak	As at	Peak
	$m	$m	$m	$m	%	%
30/09/2010						
Interest rate risk	3,733	3,733	299	299	0.7%	0.7%
Foreign currency risk	25	101	2	8	0.0%	0.0%
Equity risk	78	81	6	6	0.0%	0.0%
	3,836		307			
30/09/2009						
Interest rate risk	3,990	4,321	320	346	0.8%	0.9%
Foreign currency risk	5	301	-	24	0.0%	0.1%
Equity risk	69	82	6	7	0.0%	0.0%
	4,064		326			

Retail mortgages by loan-to-valuation ("LVR") ratio

As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by the Bank's valuation of the security property at origination of the exposure. The exposure amount used to calculate LVR excludes commitments to lend.

Retail mortgages by LVR for ANZ New Zealand as at 30 September 2010 (unaudited)	Exposure Amount
	$m
LVR range	
0% - 80%	43,746
80% - 90%	6,091
Over 90%	4,888
	54,725

Notes to the Financial Statements

32. 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 (including traded or fair value risks and non-traded or interest and foreign currency related risks) 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.

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 asset writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations.

The credit risk management framework exists to provide a structured and disciplined process to support those objectives. The integrity of the credit risk function is maintained by the independence of the credit chain and is supported by comprehensive risk analysis, risk tools, monitoring processes and policies.

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 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 Vision and Values 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 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

Notes to the Financial Statements

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, 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 Banking Group 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 to lend only what the counterparty has the capacity and ability to repay and ANZ New Zealand sets limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (i.e. interest and capital repayments). Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. ANZ New Zealand policy sets out the types of acceptable collateral, including:
- Cash;
- Mortgages over property;
- Charges over business assets, e.g. premises, stock and debtors;
- Charges over financial instruments, e.g. debt securities and equities in support of trading facilities; and
- Financial guarantees.

In the event of customer default, any loan security is usually held as mortgagee in possession while action is taken to realise it. Therefore ANZ New Zealand does not usually hold any real estate or other assets acquired through the enforcement of security.

ANZ New Zealand uses ISDA Master Agreements to document derivatives' activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default occurs, all contracts with the counterparty are terminated and settled on a net basis. Further, it is ANZ New Zealand's preferred practice to include all products covered by the ISDA in the Credit Support Annex ("CSA"), in order to achieve further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate mark-to-market (positive or negative) of derivative trades between the two entities, to mitigate the market contingent counterparty risk inherent in the outstanding positions.

Concentrations of credit risk
Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

ANZ New Zealand monitors its portfolios to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks. Risk Management, Business Unit Executives and Senior Management monitor large exposure concentrations through a monthly list of ANZ New Zealand's top Corporate exposures. The ANZ Credit and Market Risk Committee (six monthly) and Board Risk Committee (annually) review a comprehensive list of single customer concentration limits and customers' adherence to these limits.

Analyses of financial assets by industry sector are based on Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes.

Notes to the Financial Statements

Concentrations of credit risk analysis

$ millions	ANZ New Zealand						
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	Total
Industry							
Agriculture, forestry, fishing	48	1	127	19,012	172	1,507	20,867
Business & property services	32	1	80	8,354	76	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	3,132	9,590	1,793	16	1,240	19,527
Government and local authority[1]	1,677	5,582	317	1,425	13	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]	-	208	336	1,554	14	1,827	3,939
	5,735	8,967	10,854	97,316	881	23,586	147,339
Provisions for credit impairment	-	-	-	(1,420)	-	-	(1,420)
Fair value hedge adjustment	-	-	-	386	-	-	386
Unearned finance income and deferred fees	-	-	-	(267)	-	-	(267)
Total financial assets	5,735	8,967	10,854	96,015	881	23,586	146,038
Geography							
New Zealand	3,131	6,676	3,122	94,123	881	23,586	131,519
Overseas	2,604	2,291	7,732	1,892	-	-	14,519
Total financial assets	5,735	8,967	10,854	96,015	881	23,586	146,038

Notes to the Financial Statements

ANZ New Zealand

$ millions

30/09/2009	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	Total
Industry							
Agriculture, forestry, fishing	48	-	261	20,361	209	1,555	22,434
Business and property services	5	-	49	9,104	94	2,361	11,613
Construction	-	-	3	871	9	853	1,736
Entertainment, leisure and tourism	-	48	28	1,015	10	487	1,588
Finance and insurance	4,606	4,191	10,064	1,312	13	1,371	21,557
Government and local authority[1]	2,412	1,392	175	1,432	15	802	6,228
Manufacturing	83	1	96	2,807	29	3,835	6,851
Personal lending	-	-	1	54,650	560	10,495	65,706
Retail trade	91	-	74	1,607	16	1,206	2,994
Transport and storage	6	8	80	1,602	16	686	2,398
Wholesale trade	19	-	6	1,713	18	1,036	2,792
Other[2]	6	39	178	1,387	14	1,341	2,965
	7,276	5,679	11,015	97,861	1,003	26,028	148,862
Provisions for credit impairment	-	-	-	(1,281)	-	-	(1,281)
Fair value hedge adjustment	-	-	-	681	-	-	681
Unearned finance income and deferred fees	-	-	-	(237)	-	-	(237)
Total financial assets	7,276	5,679	11,015	97,024	1,003	26,028	148,025
Geography							
New Zealand	6,213	3,272	2,951	95,549	1,003	26,028	135,016
Overseas	1,063	2,407	8,064	1,475	-	-	13,009
Total financial assets	7,276	5,679	11,015	97,024	1,003	26,028	148,025

NZ Branch

$ 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	Due from related entities	Other financial assets	Credit related commitments	Total
Industry								
Finance and insurance	**-**	**-**	**500**	**-**	**302**	**-**	**-**	**802**
Personal lending	**-**	**-**	**-**	**10,029**	**-**	**3**	**63**	**10,095**
	-	**-**	**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 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**

Notes to the Financial Statements

NZ Branch

$ millions 30/09/2009	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 entities	Other financial assets	Credit related commitments[3]	Total
Industry								
Finance and insurance	-	-	34	-	341	-	-	375
Personal lending	-	-	-	8,795	-	-	34	8,829
	-	-	34	8,795	341	-	34	9,204
Provisions for credit impairment	-	-	-	(9)	-	-	-	(9)
Fair value hedge adjustment	-	-	-	(27)	-	-	-	(27)
Unearned finance income and deferred fees	-	-	-	15	-	-	-	15
Total financial assets	-	-	34	8,774	341	-	34	9,183
Geography								
New Zealand	-	-	-	8,774	341	-	34	9,149
Overseas	-	-	34	-	-	-	-	34
Total financial assets	-	-	34	8,774	341	-	34	9,183

[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

For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount that ANZ New Zealand would have to pay if the contingency is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

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.

Notes to the Financial Statements

$ millions	ANZ New Zealand				NZ Branch			
30/09/2010	**Retail mortgages**	**Other retail exposures**	**Corporate exposures[1]**	**Total maximum exposure to credit risk**	**Retail mortgages**	**Other retail exposures**	**Corporate exposures[1]**	**Total maximum exposure to credit risk**
On and off-balance sheet positions								
Liquid assets	-	-	**2,239**	**2,239**	-	-	-	-
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	-	-	**2,210**	**2,210**	-	-	-	-
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	-	-	**881**	**881**	-	-	**3**	**3**
Credit related commitments	**5,324**	**4,575**	**13,687**	**23,586**	**63**	-	-	**63**
Total exposure to credit risk	**56,298**	**8,664**	**81,076**	**146,038**	**10,122**	-	**805**	**10,927**
30/09/2009								
On and off-balance sheet positions								
Liquid assets	-	-	2,762	2,762	-	-	-	-
Due from other financial institutions	-	-	4,514	4,514	-	-	-	-
Trading securities	-	-	4,166	4,166	-	-	-	-
Derivative financial instruments	-	-	11,015	11,015	-	-	34	34
Available-for-sale assets	-	-	1,513	1,513	-	-	-	-
Net loans and advances	51,011	4,005	42,008	97,024	8,774	-	-	8,774
Due from related entities	-	-	-	-	-	-	341	341
Other financial assets	-	-	1,003	1,003	-	-	-	-
Credit related commitments	5,726	4,769	15,533	26,028	34	-	-	34
Total exposure to credit risk	56,737	8,774	82,514	148,025	8,808	-	375	9,183

[1] Includes corporates, sovereigns and banks.

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/or 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.

Notes to the Financial Statements

Distribution of gross loans and advances assets by credit quality

The credit quality of the portfolio of loans and advances is assessed by reference to ANZ New Zealand's risk grading principles and policies supported by a complementary risk grading methodology. The following table presents an analysis of gross loans and advances by summarised Basel II asset class into exposures neither past due nor impaired, past due but not impaired and impaired.

Distribution of gross loans and advances by credit quality

	ANZ New Zealand				NZ Branch			
$ millions	Retail mortgages	Other retail exposures	Corporate exposures[1]	Total	Retail mortgages	Other retail exposures	Corporate exposures[1]	Total
30/09/2010								
Neither past due nor impaired	**48,870**	**3,967**	**39,494**	**92,331**	**9,628**	**-**	**-**	**9,628**
Past due but not impaired:								
1 to 89 days	**1,339**	**261**	**1,025**	**2,625**	**337**	**-**	**-**	**337**
over 90 days	**153**	**33**	**127**	**313**	**21**	**-**	**-**	**21**
Impaired	**563**	**81**	**1,403**	**2,047**	**43**	**-**	**-**	**43**
	50,925	**4,342**	**42,049**	**97,316**	**10,029**	**-**	**-**	**10,029**
30/09/2009								
Neither past due nor impaired	48,490	3,822	41,493	93,805	8,542	-	-	8,542
Past due but not impaired:								
1 to 89 days	1,445	315	662	2,422	232	-	-	232
over 90 days	276	59	111	446	11	-	-	11
Impaired	389	59	740	1,188	10	-	-	10
	50,600	4,255	43,006	97,861	8,795	-	-	8,795

[1] Includes corporates, sovereigns and banks.

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.

The rating bands presented below 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 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.

Notes to the Financial Statements

The following table presents an analysis of gross loans and advances neither past due nor impaired by the above internal ratings:

Credit quality of gross loans and advances neither past due nor impaired

	ANZ New Zealand				NZ Branch			
$ millions	Retail mortgages[1]	Other retail exposures	Corporate exposures[2]	Total	Retail mortgages[1]	Other retail exposures	Corporate exposures[4 2]	Total
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**
	48,870	**3,967**	**39,494**	**92,331**	**9,628**	**-**	**-**	**9,628**
30/09/2009								
Strong risk rating	44,650	1,459	17,993	64,102	7,924	-	-	7,924
Satisfactory risk rating	3,156	2,010	19,078	24,244	510	-	-	510
Substandard but not past due or impaired	684	353	4,422	5,459	108	-	-	108
	48,490	3,822	41,493	93,805	8,542	-	-	8,542

[1] Since September 2009, ANZ New Zealand has agreed new mortgage pooling methodologies with RBNZ and has also implemented new spot PD estimates, which take account of more recent performance data. The change in the retail mortgage bands between the periods reflects these modelling changes.
[2] Includes corporates, sovereigns and banks.

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.

Ageing analysis of loans that are past due but not impaired

	ANZ New Zealand				NZ Branch			
$ millions	Retail mortgages	Other retail exposures	Corporate exposures[1]	Total	Retail mortgages	Other retail exposures	Corporate exposures[1]	Total
30/09/2010								
1 to 5 days	**313**	**92**	**565**	**970**	**89**	**-**	**-**	**89**
6 to 29 days	**688**	**113**	**235**	**1,036**	**176**	**-**	**-**	**176**
30 to 59 days	**259**	**38**	**159**	**456**	**50**	**-**	**-**	**50**
60 to 89 days	**79**	**18**	**66**	**163**	**22**	**-**	**-**	**22**
90 days or over	**153**	**33**	**127**	**313**	**21**	**-**	**-**	**21**
	1,492	**294**	**1,152**	**2,938**	**358**	**-**	**-**	**358**
30/09/2009								
1 to 5 days	310	104	397	811	40	-	-	40
6 to 29 days	740	136	122	998	154	-	-	154
30 to 59 days	264	49	71	384	27	-	-	27
60 to 89 days	131	26	72	229	11	-	-	11
90 days or over	276	59	111	446	11	-	-	11
	1,721	374	773	2,868	243	-	-	243

[1] Includes corporates, sovereigns and banks.

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

Notes to the Financial Statements

provision is allocated against it. The following table presents an analysis of individually impaired assets, undrawn facilities with impaired customers and provision for credit impairment by summarised Basel II asset class:

$ millions	ANZ New Zealand Retail mortgages	ANZ New Zealand Other retail exposures	ANZ New Zealand Corporate exposures[1]	ANZ New Zealand Total	NZ Branch Retail mortgages	NZ Branch Other retail exposures	NZ Branch Corporate exposures[1]	NZ Branch Total
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**
30/09/2009								
Impaired financial assets	389	59	740	1,188	10	-	-	10
Undrawn facilities with impaired customers	-	-	32	32	-	-	-	-
Individual provision balance	156	40	281	477	3	-	-	3
Net impaired financial assets	233	19	491	743	7	-	-	7
Collective provision balance	127	159	518	804	6	-	-	6

[1] Includes corporates, sovereigns and banks.

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.

$ millions	ANZ New Zealand Net Loans and advances[1]	ANZ New Zealand Credit related commitments[2]	ANZ New Zealand Total	NZ Branch Net Loans and advances[1]	NZ Branch Credit related commitments[2]	NZ Branch Total
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**
30/09/2009						
Real estate	488	-	488	7	-	7
Other	223	32	255	-	-	-
Total value of collateral	711	32	743	7	-	7
Credit exposure	1,188	32	1,220	10	-	10
Unsecured portion of credit	477	-	477	3	-	3

[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.

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 arises when changes in market rates, prices and volatilities lead to a decline in the value of assets and liabilities, including financial derivatives. 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

Notes to the Financial Statements

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.

The market 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 market risk exposures of ANZ New Zealand is undertaken by the Market Risk 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.

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 VaR, 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.

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.

Notes to the Financial Statements

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

Trading activities are focused on customer trading, distribution and underwriting of a range of securities and derivative instruments. The principal activities include foreign exchange, interest rate, and debt markets. These activities are managed on a global product basis.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for ANZ New Zealand.

$ millions	ANZ New Zealand Value at risk at 97.5% confidence				ANZ New Zealand Value at risk at 99% confidence			
	As at	**High for period**	**Low for period**	**Average for period**	**As at**	**High for period**	**Low for period**	**Average for period**
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**
30/09/2009								
Foreign exchange risk	0.4	1.4	0.2	0.5	0.6	1.9	0.3	0.7
Interest rate risk	2.6	3.0	1.1	2.0	3.5	4.9	1.7	3.0
Credit spread risk	0.4	0.5	0.2	0.3	0.6	0.8	0.2	0.5
Diversification benefit	(0.8)	n/a	n/a	(0.8)	(1.2)	n/a	n/a	(1.2)
Total VaR	2.6	3.4	1.1	2.0	3.5	4.6	1.7	3.0

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 where:

- *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.

Notes to the Financial Statements

Non-traded interest rate risk is managed to both value and earnings at risk limits. Interest rate risk is reported using three measures: VaR; scenario analysis (to a 1% shock); and interest rate sensitivity gap. This treatment excludes the effect of prepayment and basis risk.

a) VaR non-traded interest rate risk

Below are aggregate VaR figures covering non-traded interest rate risk.

	ANZ New Zealand			
$ millions	As at	High for period	Low for period	Average for period
30/09/2010				
Value at risk at 97.5% confidence	**18.6**	**25.2**	**18.6**	**21.8**
30/09/2009				
Value at risk at 97.5% confidence	22.4	22.9	18.9	20.9

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	
	30/09/2010	30/09/2009
Impact of 1% rate shock		
As at	**1.7%**	0.2%
Maximum exposure	**1.7%**	0.6%
Minimum exposure	**0.2%**	-0.1%
Average exposure (in absolute terms)	**1.2%**	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 repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at ANZ New Zealand's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

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.

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.

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.

Notes to the Financial Statements

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 Banking Group policy.

The following tables represent the interest rate sensitivity of ANZ New Zealand's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

			ANZ New Zealand				
30/09/2010		**Less than**	**3 to 6**	**6 to 12**	**1 to 5**	**Beyond**	**Not bearing**
$ millions	**Total**	**3 months**	**months**	**months**	**years**	**5 years**	**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**	**5,618**	**144**	**-**
Derivative financial instruments	**10,854**	**-**	**-**	**-**	**-**	**-**	**10,854**
Available-for-sale assets	**2,210**	**762**	**1,061**	**246**	**33**	**30**	**78**
Net loans and advances	**96,015**	**61,639**	**5,549**	**10,208**	**17,977**	**24**	**618**
Other financial assets	**881**	**28**	**-**	**-**	**-**	**-**	**853**
Total financial assets	**122,452**	**67,276**	**6,636**	**10,587**	**23,628**	**198**	**14,127**
Non-financial assets	**4,577**	**-**	**-**	**-**	**-**	**-**	**4,577**
Total assets	**127,029**	**67,276**	**6,636**	**10,587**	**23,628**	**198**	**18,704**
Liabilities							
Due to other financial institutions	**12,293**	**12,236**	**-**	**-**	**25**	**-**	**32**
Deposits and other borrowings	**70,295**	**43,695**	**13,224**	**6,414**	**1,998**	**-**	**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**	**11,191**	**-**	**-**
Term funding	**1,766**	**1,766**	**-**	**-**	**-**	**-**	**-**
Loan capital	**2,407**	**-**	**630**	**350**	**1,427**	**-**	**-**
Total financial liabilities	**118,462**	**65,895**	**14,004**	**7,222**	**14,641**	**-**	**16,700**
Non-financial liabilities	**746**	**-**	**-**	**-**	**-**	**-**	**746**
Equity	**7,821**	**-**	**-**	**-**	**-**	**-**	**7,821**
Total liabilities and equity	**127,029**	**65,895**	**14,004**	**7,222**	**14,641**	**-**	**25,267**
On-balance sheet interest sensitivity gap	**-**	**1,381**	**(7,368)**	**3,365**	**8,987**	**198**	**(6,563)**
Hedging instruments	**-**	**8,638**	**(2,239)**	**(2,671)**	**(3,580)**	**(148)**	**-**
Interest sensitivity gap - net	**-**	**10,019**	**(9,607)**	**694**	**5,407**	**50**	**(6,563)**
Interest sensitivity gap - cumulative	**-**	**10,019**	**412**	**1,106**	**6,513**	**6,563**	**-**

Notes to the Financial Statements

30/09/2009 $ millions	ANZ New Zealand Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Beyond 5 years	Not bearing interest
Assets							
Liquid assets	2,762	2,596	-	-	-	-	166
Due from other financial institutions	4,514	4,013	300	-	63	-	138
Trading securities	4,166	429	66	418	2,575	678	-
Derivative financial instruments	11,015	-	-	-	-	-	11,015
Available-for-sale assets	1,513	149	1,286	-	9	-	69
Net loans and advances	97,024	50,539	7,668	14,024	24,831	55	(93)
Other financial assets	1,003	-	-	-	-	-	1,003
Total financial assets	121,997	57,726	9,320	14,442	27,478	733	12,298
Non-financial assets	4,317	-	-	-	-	-	4,317
Total assets	126,314	57,726	9,320	14,442	27,478	733	16,615
Liabilities							
Due to other financial institutions	12,514	11,533	550	277	22	-	132
Deposits and other borrowings	71,764	45,087	14,019	5,497	2,788	-	4,373
Derivative financial instruments	10,974	-	-	-	-	-	10,974
Payables and other financial liabilities	1,149	66	-	-	-	-	1,083
Bonds and notes	17,540	9,586	672	371	6,911	-	-
Term funding	1,766	1,766	-	-	-	-	-
Loan capital	2,596	227	584	-	1,785	-	-
Total financial liabilities	118,303	68,265	15,825	6,145	11,506	-	16,562
Non-financial liabilities	696	-	-	-	-	-	696
Equity	7,315	-	-	-	-	-	7,315
Total liabilities and equity	126,314	68,265	15,825	6,145	11,506	-	24,573
On-balance sheet interest sensitivity gap	-	(10,539)	(6,505)	8,297	15,972	733	(7,958)
Hedging instruments	-	11,589	5,630	(11,762)	(4,417)	(1,040)	-
Interest sensitivity gap - net	-	1,050	(875)	(3,465)	11,555	(307)	(7,958)
Interest sensitivity gap - cumulative	-	1,050	175	(3,290)	8,265	7,958	-

Notes to the Financial Statements

				NZ Branch			
30/09/2010		**Less than**	**3 to 6**	**6 to 12**	**1 to 5**	**Beyond**	**Not bearing**
$ millions	**Total**	**3 months**	**months**	**months**	**years**	**5 years**	**interest**
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	500	-	-	-	-	-	500
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	10,059	4,784	832	1,536	2,886	-	21
Due from related entities	302	302	-	-	-	-	-
Other financial assets	3	-	-	-	-	-	3
Total financial assets	10,864	5,086	832	1,536	2,886	-	524
Non-financial assets	7	-	-	-	-	-	7
Total assets	10,871	5,086	832	1,536	2,886	-	531
Liabilities							
Due to other financial institutions	10,481	10,481	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	142	-	-	-	-	-	142
Payables and other financial liabilities	70	-	-	-	-	-	70
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Total financial liabilities	10,693	10,481	-	-	-	-	212
Non-financial liabilities	45	-	-	-	-	-	45
Equity	133	-	-	-	-	-	133
Total liabilities and equity	10,871	10,481	-	-	-	-	390
On-balance sheet interest sensitivity gap	-	(5,395)	832	1,536	2,886	-	141
Hedging instruments	-	4,435	(30)	(1,679)	(2,726)	-	-
Interest sensitivity gap - net	-	(960)	802	(143)	160	-	141
Interest sensitivity gap - cumulative	-	(960)	(158)	(301)	(141)	(141)	-

Notes to the Financial Statements

30/09/2009 $ millions	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Beyond 5 years	Not bearing interest
				NZ Branch			
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	34	-	-	-	-	-	34
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	8,774	2,125	1,165	1,757	3,726	-	1
Due from related entities	341	341	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total financial assets	9,149	2,466	1,165	1,757	3,726	-	35
Non-financial assets	3	-	-	-	-	-	3
Total assets	9,152	2,466	1,165	1,757	3,726	-	38
Liabilities							
Due to other financial institutions	8,801	8,679	122	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	254	-	-	-	-	-	254
Payables and other financial liabilities	41	-	-	-	-	-	41
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Total financial liabilities	9,096	8,679	122	-	-	-	295
Non-financial liabilities	17	-	-	-	-	-	17
Equity	39	-	-	-	-	-	39
Total liabilities and equity	9,152	8,679	122	-	-	-	351
On-balance sheet interest sensitivity gap	-	(6,213)	1,043	1,757	3,726	-	(313)
Hedging instruments	-	6,553	(789)	(2,088)	(3,676)	-	-
Interest sensitivity gap - net	-	340	254	(331)	50	-	(313)
Interest sensitivity gap - cumulative	-	340	594	263	313	313	-

Equity price risk
The portfolio of financial assets, classified as available-for-sale for measurement and financial reporting purposes, also 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 2010 was $78 million (30/09/2009 $71 million). Regular reviews are performed to substantiate valuation of the investments within the portfolio. The fair value of the equity securities classified as available-for-sale can fluctuate considerably. A 10 per cent reduction in the value of the available-for-sale equity securities at 30 September 2010 would have reduced equity by $8 million (30/09/2009 $7 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, detailed in the table below, 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 30/09/2010	ANZ New Zealand 30/09/2009	NZ Branch 30/09/2010	NZ Branch 30/09/2009
Net open position				
Australian dollar	**22**	2	**1**	1
Euro	**2**	(1)	**-**	-
Japanese yen	**2**	-	**-**	-
Pound sterling	**(1)**	-	**-**	-
US dollar	**30**	2	**-**	-
Other	**2**	(1)	**-**	-
Total net open position	**57**	2	**1**	1

Liquidity risk

Liquidity risk is the risk that ANZ New Zealand has insufficient capacity to fund increases in assets or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt. 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 Committee of the Board of Directors. The core objective of ANZ New Zealand's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses. In response to the impact of the global financial crisis, the framework has been reviewed and updated.

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 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 implications 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:

Notes to the Financial Statements

- Extreme Short Term Crisis Scenario ("ESTC"): A name-specific stress during a period of market stress.
- Short Term Crisis Scenario ("NSTC"): A name-specific stress during a period of normal markets conditions.
- Global Funding Market Disruption ("GFMD"): Stressed global wholesale funding markets leading to a closure of domestic and offshore markets.
- Offshore Funding Market Disruption ("OFMD"): Stressed global wholesale funding markets leading to a closure of offshore markets only.

As of 30 September 2010 ANZ New Zealand was in compliance with all of the above scenarios.

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	30/09/2010	30/09/2009	30/09/2010	30/09/2009
Funding composition				
Customer deposits[1]				
New Zealand	**52,183**	52,065	**-**	-
Overseas	**7,560**	7,866	**-**	-
Total customer deposits	**59,743**	59,931	**-**	-
Wholesale funding				
Bonds and notes	**19,899**	17,540	**-**	-
Loan capital	**2,407**	2,596	**-**	-
Certificates of deposit	**3,245**	4,441	**-**	-
Commercial paper	**7,307**	7,392	**-**	-
Term funding	**1,766**	1,766	**-**	-
Due to other financial institutions	**12,293**	12,514	**10,481**	8,801
Total wholesale funding	**46,917**	46,249	**10,481**	8,801
Total funding	**106,660**	106,180	**10,481**	8,801
Concentrations of funding by industry				
Households	**37,968**	37,738	**-**	-
Agriculture, forestry and fishing	**2,520**	3,872	**-**	-
Manufacturing	**2,772**	1,354	**-**	-
Entertainment, leisure and tourism	**596**	573	**-**	-
Finance and insurance	**53,394**	53,468	**10,481**	8,801
Retail trade	**670**	753	**-**	-
Wholesale trade	**677**	602	**-**	-
Business and property services	**3,754**	3,960	**-**	-
Transport and storage	**620**	614	**-**	-
Construction	**731**	736	**-**	-
Government and local authority	**1,967**	1,548	**-**	-
Other[2]	**991**	962	**-**	-
Total concentrations of funding by industry	**106,660**	106,180	**10,481**	8,801
Concentrations of funding by geography[3]				
New Zealand	**59,983**	61,515	**-**	-
Australia	**14,326**	14,593	**9,445**	8,801
United States	**17,325**	17,031	**-**	-
Europe	**8,708**	7,511	**-**	-
Other countries	**6,318**	5,530	**1,036**	-
Total concentrations of funding by geography	**106,660**	106,180	**10,481**	8,801

[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.

Notes to the Financial Statements

Wholesale funding

ANZ New Zealand's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency while targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term wholesale funding requirements, with a contractual maturity of less than one year, are managed through the Treasury and Markets operations. Long-term wholesale funding is managed and executed through Treasury operations.

ANZ New Zealand also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that ANZ New Zealand does not become reliant on issuing large volumes of new wholesale funding within a short time period. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

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	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Cash and balances with central banks	**1,015**	2,207	**-**	-
Securities purchased under agreement to resell	**266**	1,075	**-**	-
Certificates of deposit	**687**	2,736	**-**	-
Government, Local Body stock and bonds	**3,631**	1,102	**-**	-
Available-for-sale assets	**1,915**	1,435	**-**	-
Other bonds	**2,698**	2,522	**-**	-
Total liquidity portfolio	**10,212**	11,077	**-**	-

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. The post-"haircut" value of these assets at 30 September 2010 was $10,199 million. The Banking Group also held unencumbered Internal RMBS with a post-"haircut" value of $5,011 million (from 1 April 2010 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.

Notes to the Financial Statements

ANZ New Zealand does not manage its liquidity risk on the basis of the information below.

	ANZ New Zealand						
$ millions			Less than	3 to 12		Beyond	No maturity
30/09/2010	**Total**	**At call**	**3 months**	**months**	**1 to 5 years**	**5 years**	**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	137,504	-	10,109	19,590	35,801	71,400	604
Other financial assets	881	-	860	4	11	6	-
Total financial assets	163,015	2,696	24,166	21,382	42,367	71,722	682
Financial 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	1,075	-	1,075	-	-	-	-
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	122,996	24,368	37,684	28,856	29,309	1,595	1,184
Net finanical assets	40,019	(21,673)	(13,517)	(7,474)	13,058	70,127	(502)
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 after balance sheet management	38,464	(21,673)	(13,698)	(7,399)	11,611	70,125	(502)

Contractual maturity of off-balance sheet commitments and contingent liabilities

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

Notes to the Financial Statements

$ millions	ANZ New Zealand						
30/09/2009	**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	2,762	2,762	-	-	-	-	-
Due from other financial institutions	4,530	172	3,891	400	67	-	-
Trading securities	5,080	-	403	688	3,248	741	-
Derivative financial instruments	9,076	-	9,076	-	-	-	-
Available-for-sale assets	1,526	-	121	1,295	16	25	69
Net loans and advances	142,476	-	9,066	17,928	40,326	75,249	(93)
Other financial assets	1,003	-	1,003	-	-	-	-
Total financial assets (inclusive of interest)	166,453	2,934	23,560	20,311	43,657	76,015	(24)
Financial liabilities							
Due to other financial institutions	13,852	1,039	2,982	2,236	7,142	453	-
Deposits and other borrowings	73,155	25,397	23,178	21,408	3,116	56	-
Derivative financial instruments	8,048	-	8,048	-	-	-	-
Other financial liabilities	1,149	-	1,149	-	-	-	-
Bonds and notes	19,039	-	2,234	3,010	13,445	350	-
Term funding	1,861	-	24	1,837	-	-	-
Loan capital	4,029	-	51	154	1,023	1,642	1,159
Total financial liabilities (inclusive of interest)	121,133	26,436	37,666	28,645	24,726	2,501	1,159
Net finanical assets	45,320	(23,502)	(14,106)	(8,334)	18,931	73,514	(1,183)
Derivative financial instruments used for balance sheet management							
- gross inflows	32,634	-	2,368	7,727	21,615	923	-
- gross outflows	(34,602)	-	(2,582)	(8,301)	(22,835)	(884)	-
Net financial assets after balance sheet management	43,351	(23,502)	(14,319)	(8,908)	17,710	73,553	(1,183)

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions	ANZ New Zealand		
30/09/2009	**Total**	**Less than 1 year**	**Beyond 1 year**
Non-credit related commitments	287	287	-
Credit related commitments	22,863	22,863	-
Contingent liabilities	3,165	3,165	-
Total	26,315	26,315	-

Notes to the Financial Statements

$ millions 30/09/2010	Total	At call	NZ Branch Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No Specified Maturity
Financial assets							
Net loans and advances	19,341	-	304	770	3,781	14,466	20
Due from related parties	302	-	302	-	-	-	-
Other financial assets	3	-	3	-	-	-	-
Total financial assets (inclusive of interest)	19,646	-	609	770	3,781	14,466	20
Financial liabilities							
Due to other financial institutions	11,970	-	954	2,128	8,888	-	-
Derivative financial instruments	142	-	142	-	-	-	-
Derivative financial instruments	70	-	70	-	-	-	-
Total financial liabilities (inclusive of interest)	12,182	-	1,166	2,128	8,888	-	-
Net finanical assets	7,464	-	(557)	(1,358)	(5,107)	14,466	20
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 after balance sheet management	5,248	-	(728)	(1,513)	(6,963)	14,466	20

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

$ millions 30/09/2009	NZ Branch Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Assets							
Net loans and advances	16,323	-	188	643	3,061	12,431	-
Due from related parties	341	-	341	-	-	-	-
Total financial assets (inclusive of interest)	16,664	-	529	643	3,061	12,431	-
Liabilities							
Due to other financial institutions	10,033	-	745	1,550	7,282	456	-
Other financial liabilities	41	-	41	-	-	-	-
Total financial liabilities (inclusive of interest)	10,074	-	786	1,550	7,282	456	-
Net finanical assets	6,590	-	(257)	(907)	(4,221)	11,975	-
Derivative financial instruments used for balance sheet management							
- gross inflows	9,393	-	1,373	1,313	6,260	445	-
- gross outflows	(11,222)	-	(1,485)	(1,548)	(7,736)	(453)	-
Net financial assets after balance sheet management	4,761	-	(369)	(1,141)	(5,697)	11,968	-

Contractual maturity of off-balance sheet commitments and contingent liabilities

$ millions 30/09/2009	NZ Branch Total	Less than 1 year	Beyond 1 year
Credit related commitments	34	34	-
Total	34	34	-

33. Concentrations of Credit Risk

ANZ New Zealand has no credit exposures, on the basis of limits, to individual counterparties or groups of closely related counterparties (whether bank or non-bank exposures) which equal or exceed 10% of the Overseas Banking Group's equity as at 30/09/2010, or 30/09/2009, or at any time for the quarter ended 30/09/2010 in respect of peak end-of-day aggregate credit exposures. The peak end-of-day exposures have been calculated using the Overseas Banking Group's equity as at 30/09/2010. These calculations exclude credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent.

34. Fair Value of Financial Assets and Financial Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A significant number of financial instruments are carried at fair value in the balance sheet. Below is a comparison of the carrying amounts, as reported in the balance sheet, and fair values of all financial assets and liabilities.

In the tables below, financial instruments have been allocated by their accounting treatment. The accounting policies note describes how the categories of financial assets and liabilities are measured and how income and expenses, including fair value gains and losses, are recognised.

Notes to the Financial Statements

$ millions	ANZ New Zealand						
	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				
30/09/2010							
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	**-**	**-**	**-**	**-**	**2,210**	**2,210**	**2,210**
Net loans and advances[2]	**96,015**	**-**	**-**	**-**	**-**	**96,015**	**95,957**
Other financial assets	**853**	**28**	**-**	**-**	**-**	**881**	**881**
Total financial assets	**101,896**	**28**	**16,851**	**760**	**2,917**	**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**
30/09/2009							
Liquid assets	2,762	-	-	-	-	2,762	2,762
Due from other financial institutions	1,778	-	-	-	2,736	4,514	4,514
Trading securities	-	-	4,166	-	-	4,166	4,166
Derivative financial instruments[1]	-	-	10,468	547	-	11,015	11,015
Available-for-sale assets	-	-	-	-	1,513	1,513	1,513
Net loans and advances[2]	97,024	-	-	-	-	97,024	96,798
Other financial assets	1,003	-	-	-	-	1,003	1,003
Total financial assets	102,567	-	14,634	547	4,249	121,997	121,771
Due to other financial institutions	12,514	-	-	-	-	12,514	12,732
Deposits and other borrowings	64,372	7,392	-	-	-	71,764	71,796
Derivative financial instruments[1]	-	-	9,817	1,157	-	10,974	10,974
Other financial liabilities	1,149	-	-	-	-	1,149	1,149
Bonds and notes[2]	17,540	-	-	-	-	17,540	17,502
Term funding	1,766	-	-	-	-	1,766	1,766
Loan capital	2,596	-	-	-	-	2,596	2,516
Total financial liabilities	99,937	7,392	9,817	1,157	-	118,303	118,435

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				
30/09/2010							
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]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**10,551**	**-**	**72**	**70**	**-**	**10,693**	**10,886**
30/09/2009							
Derivative financial instruments[1]	-	-	3	31	-	34	34
Net loans and advances[2]	8,774	-	-	-	-	8,774	8,797
Due from subsidiary companies	341	-	-	-	-	341	341
Total financial assets	9,115	-	3	31	-	9,149	9,172
Due to other financial institutions	8,801	-	-	-	-	8,801	9,019
Derivative financial instruments[1]	-	-	252	2	-	254	254
Other financial liabilities	41	-	-	-	-	41	41
Bonds and notes[2]	-	-	-	-	-	-	-
Total financial liabilities	8,842	-	252	2	-	9,096	9,314

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 financial assets within loans and advances. 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 is 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 were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of that debt instrument.

Trading securities
Fair value is based on quoted market prices, broker or dealer price quotations, or modelled valuations using prices for securities with similar credit risk, maturity and yield characteristics.

Derivative financial instruments
The fair values of derivative financial instruments are determined using market prices and 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.

Available-for-sale assets
Fair value is based on quoted market prices or 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.

Notes to the Financial Statements

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.

At balance date, the carrying amount of deposits and other borrowings designated by ANZ New Zealand at fair value through profit or loss was $2 million higher (30/09/2009 $4 million higher) than their amortised cost.

The accumulated amount of the change in fair value attributable to changes in credit risk on these liabilities was less than $3 million (30/09/2009 less than $3 million). The change in fair value attributable to changes in credit risk has been determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risks (benchmark interest rate, and foreign exchange rates).

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 collateralised debt obligations and other similar assets 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 based on data derived and extrapolated from market data and tested against historic transactions and observed market trends.

Notes to the Financial Statements

Valuation technique

$millions	ANZ New Zealand Level 1	ANZ New Zealand Level 2	ANZ New Zealand Level 3	ANZ New Zealand Total	NZ Branch Level 1	NZ Branch Level 2	NZ Branch Level 3	NZ Branch Total
30/09/2010								
Due from other financial institutions	**707**	**-**	**-**	**707**	**-**	**-**	**-**	**-**
Trading securities	**3,630**	**3,127**	**-**	**6,757**	**-**	**-**	**-**	**-**
Available-for-sale assets	**1,990**	**101**	**119**	**2,210**	**-**	**-**	**-**	**-**
Derivative financial instruments	**3**	**10,851**	**-**	**10,854**	**-**	**500**	**-**	**500**
Investments relating to insurance business	**-**	**28**	**-**	**28**	**-**	**-**	**-**	**-**
Total financial assets held at fair value	**6,330**	**14,107**	**119**	**20,556**	**-**	**500**	**-**	**500**
Derivative financial instruments	**35**	**10,692**	**-**	**10,727**	**-**	**142**	**-**	**142**
Commercial paper	**-**	**7,307**	**-**	**7,307**	**-**	**-**	**-**	**-**
Total financial liabilities held at fair value	**35**	**17,999**	**-**	**18,034**	**-**	**142**	**-**	**142**
30/09/2009								
Due from other financial institutions	2,736	-	-	2,736	-	-	-	-
Trading securities	1,261	2,905	-	4,166	-	-	-	-
Available-for-sale assets	1,413	100	-	1,513	-	-	-	-
Derivative financial instruments	45	10,970	-	11,015	-	34	-	34
Total financial assets held at fair value	5,455	13,975	-	19,430	-	34	-	34
Commercial paper	-	7,392	-	7,392	-	-	-	-
Derivative financial instruments	2	10,972	-	10,974	-	254	-	254
Total financial liabilities held at fair value	2	18,364	-	18,366	-	254	-	254

Movements in level 3 valuations

$ millions	ANZ New Zealand **30/09/2010**	ANZ New Zealand 30/09/2009	NZ Branch **30/09/2010**	NZ Branch 30/09/2009
Opening balance	**-**	-	**-**	-
Acquired in a business combination	**127**	-	**-**	-
Revaluations	**38**	-	**-**	-
Foreign exchange movements	**(8)**	-	**-**	-
Sales	**(38)**	-	**-**	-
Closing balance	**119**	-	**-**	-

Notes to the Financial Statements

35. Notes to the Cash Flow Statements

$ millions	ANZ New Zealand Year to 30/09/2010	Year to 30/09/2009	NZ Branch Year to 30/09/2010	Year to 30/09/2009
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities				
Profit after income tax	**867**	194	**94**	28
Non-cash items:				
Depreciation and amortisation	**71**	50	**-**	-
Provision for credit impairment	**456**	883	**20**	9
Deferred fee revenue and expenses	**(5)**	(8)	**-**	-
Share-based payments expense	**21**	18	**-**	-
Amortisation of capitalised brokerage/ mortgage origination fees	**45**	54	**10**	4
Deferrals or accruals of past or future operating cash receipts or payments:				
Change in operating assets and liabilities	**(2,518)**	(1,346)	**(177)**	(107)
Change in interest receivable	**6**	138	**-**	-
Change in interest payable	**(37)**	(259)	**26**	41
Change in accrued income	**(6)**	1	**-**	-
Change in accrued expenses	**54**	41	**1**	2
Change in provisions	**(63)**	100	**-**	-
Amortisation of premiums and discounts	**39**	76	**-**	-
Change in insurance policy assets	**(49)**	-	**-**	-
Change in insurance investment assets	**(10)**	-	**-**	-
Change in income tax assets	**(235)**	183	**26**	12
Items classified as investing/financing:				
Share of profit of equity accounted associates and jointly controlled entities	**(42)**	(11)	**-**	-
Re-measuring existing equity interests to fair value	**82**	-	**-**	-
Impairment of associates	**7**	-	**-**	-
Loss on disposal of premises and equipment	**9**	(13)	**-**	-
Net cash flows used in operating activities	**(1,308)**	101	**-**	(11)

$ millions	ANZ New Zealand 30/09/2010	30/09/2009	NZ Branch 30/09/2010	30/09/2009
Reconciliation of cash and cash equivalents to the balance sheets				
Liquid assets	**2,239**	2,763	**-**	-
Due from other financial institutions - less than 90 days	**1,339**	2,003	**-**	-
Total cash and cash equivalents	**3,578**	4,766	**-**	-

36. Commitments

$ millions	ANZ New Zealand 30/09/2010	30/09/2009	NZ Branch 30/09/2010	30/09/2009
Contracts for outstanding capital expenditure				
Premises and equipment				
Not later than 1 year	**17**	19	**-**	-
Total capital expenditure commitments	**17**	19	**-**	-
Future minimum lease payments under non-cancellable operating leases				
Premises and equipment				
Not later than 1 year	**91**	82	**-**	-
Later than 1 year but not later than 5 years	**166**	155	**-**	-
Later than 5 years	**29**	31	**-**	-
Total lease rental commitments	**286**	268	**-**	-
Total commitments	**303**	287	**-**	-

Notes to the Financial Statements

37. Credit Related Commitments and Contingent Liabilities

	ANZ New Zealand Face or contract value		NZ Branch Face or contract value	
$ millions	**30/09/2010**	30/09/2009	**30/09/2010**	30/09/2009
Credit related commitments				
Commitments with certain drawdown due within one year	**493**	735	**-**	-
Commitments to provide financial services	**20,352**	22,128	**63**	34
Total credit related commitments	**20,845**	22,863	**63**	34
Contingent liabilities				
Financial guarantees	**1,686**	1,753	**-**	-
Standby letters of credit	**60**	341	**-**	-
Transaction related contingent items	**898**	982	**-**	-
Trade related contingent liabilities	**97**	89	**-**	-
Total contingent liabilities	**2,741**	3,165	**-**	-

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.

Commerce Commission

ANZ New Zealand is aware that the Commerce Commission is looking at credit contract fees under the Credit Contracts and Consumer Finance Act 2003 ("CCCFA"). In its 2010-2013 Statement of Intent the Commission stated that:

> *"In CCCFA enforcement, the Commission will continue to focus on unreasonable credit fees, while still being mindful of disclosure issues."*

In particular ANZ New Zealand is aware that the Commission is investigating the level of default fees charged on credit cards, the level of currency conversion charges on overseas transactions using credit cards and informal excess arrangements on credit cards under the CCCFA. At this stage the possible outcome of these investigations and any liability or impact on fees cannot be determined with any certainty.

ING NZ Funds

ANZ New Zealand markets and distributes a range of wealth management products in New Zealand. The products are manufactured and managed by ING NZ. Trading in two of the products, the ING Diversified Yield Fund and the ING Regular Income Fund (together, "the Funds"), was suspended on 13 March 2008, due to deterioration in the liquidity and credit markets. Some of the units in the Funds were sold by the Bank to its customers.

In June 2009, ING NZ AUT Investments Limited, a subsidiary of ING NZ, made an offer to investors in the Funds. Investors holding approximately 99% of the Funds accepted the offer to purchase their units.

In June 2010, the Bank and ING NZ reached settlements with the Commerce Commission and the Securities Commission in relation to the Commerce Commission's investigation into the Bank and ING NZ's marketing and promotion of the Funds.

As part of the settlement with the Commerce Commission, $45 million has been or will be paid to eligible investors in the Funds, and $1 million been paid to the Commerce Commission towards their investigation costs.

As part of the settlement with the Securities Commission, ING NZ has undertaken to engage an external party to complete, by 1 February 2011, an audit and review of its procedures and processes to the extent they relate to ING NZ's business of developing and offering investment products to the public and to subsequently implement any recommendations of that review. The Bank has undertaken to facilitate and assist with the ING NZ audit, review and implementation.

The Commerce Commission and the Securities Commission have agreed they will not take any further action against the Bank, ING NZ or their affiliates in relation to the Funds.

The ultimate cost to ANZ New Zealand will depend on the final value of units in the Funds, any recoveries under insurance, the assessment and outcome of customer complaints and the results of any litigation that may be brought in connection with the Funds or their sale. ANZ New Zealand considers that it has adequately provided for these matters.

Notes to the Financial Statements

Other contingent liabilities

ANZ New Zealand has other contingent liabilities in respect of actual and potential claims and 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 appropriate. As at 30 September 2010, there were no other contingent assets or liabilities required to be disclosed (30/09/2009 nil).

38. Securitisations, Funds Management, Other Fiduciary Activities and Insurance

Securitisation

In October 2008, ANZ New Zealand established an in-house residential mortgage backed securities facility that could issue securities meeting the RBNZ criteria for use as collateral in repurchase transactions with the RBNZ. As at 30 September 2010 the rights to cash flows associated with residential mortgages with a carrying value of $6,531 million (30/09/2009 $5,687 million) were held in the facility. These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore ANZ New Zealand's financial statements do not change as a result of establishing these facilities.

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 2010, $2,888 million of funds under management were invested in ANZ New Zealand's own products or securities (30/09/2009 $2,664 million).

Aggregate value of funds managed by ANZ New Zealand

	ANZ New Zealand	
$ millions	**30/09/2010**	30/09/2009
Funds managed by OnePath	7,430	-
The Bonus Bonds Trust	2,973	2,889
Other discretionary funds	4,760	4,360
Totals funds under management	15,163	7,249

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 (30/09/2009 $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 $337 million (30/09/2009: $nil), which is 0.3% (30/09/2009: 0.0%) of the total consolidated assets of ANZ New Zealand.

Risk management

Notes to the Financial Statements

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 fund management products:

- 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.

39. Employee Share and Option Plans

ANZ New Zealand participates in the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan operated by the Overseas Banking Group. Any shares or options granted under these plans are shares in the Ultimate Parent Bank.

The closing market price of one ordinary share of the Ultimate Parent Bank quoted on the ASX (Australian Stock Exchange) at 30 September 2010 was A$23.68 (30/09/2009 A$24.39).

ANZ Employee Share Acquisition Plan
The ANZ Employee Share Acquisition Plan includes the A$1,000 Share Plan, the Deferred Share Plan and the Restricted Share Plan.

A$1,000 share plan
Each permanent employee who has had continuous service for one year with ANZ New Zealand is eligible to participate in a scheme enabling the issue of up to A$1,000 of shares of the Ultimate Parent Bank in each financial year, subject to the approval of the Ultimate Parent Bank's Board. The shares vest subject to satisfaction of a three year service period but will be forfeited in the event of resignation or termination for serious misconduct. On expiration of that period, an employee may sell the shares, transfer them into their name, or have them retained in trust. The issue price is based on the Volume Weighted Average Price (VWAP) of ANZ shares traded in the one week up to and including the allocation date. All eligible employees were allocated shares under the Employee $1,000 Share Plan at no cost on 7 December 2009, based on an allocation price of $22.06 (the Volume Weighted Average Price (VWAP) of ANZ traded in the one week up to and including the allocation date).

ANZ New Zealand's employees are required to pay NZ 1 cent per share at the time the shares are issued to them. During the year to 30 September 2010, 358,313 shares with an average issue price of A$22.02 were issued under the A$1,000 Share Plan (30/09/2009 540,305 shares with an average issue price of A$14.94 were issued).

Deferred share plan
ANZ New Zealand's last issue of shares under this plan was in November 2004. Selected employees were issued deferred shares, which vest subject to satisfaction of a minimum three year service period from the date of issue. Ordinary shares issued under this plan may be held in trust for up to 10 years, and may be required to meet performance hurdles before being able to be traded after the restriction period has expired. The issue price is based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including the date of issue. Unvested shares are forfeited on resignation or dismissal, or if a performance condition has not been met.

Restricted share plan – no longer available
From 2007, ANZ New Zealand will no longer be offering the option to take a portion of any incentive payment received as Restricted Shares. Selected employees have the option to take some (or all) of their incentive payment as Restricted Shares. The shares are held in trust and may not be traded until the conclusion of the one-year restriction period, after which they may be transferred into the employee's name. Until they are transferred into the employee's name, they continue to be subject to forfeiture on termination for serious misconduct.

Shares valuations
The fair value of services received in return for shares in the ANZ Employee Share Acquisition Plan are measured by referring to the fair value of shares granted. The fair value of shares granted in the current period, measured at the date of grant of the shares, is $10 million based on 358,313 shares at a weighted average price of A$22.02 converted at the exchange rate of 0.7999 (30/09/2009 NZ $10 million based on 540,305 shares at a weighted average price of A$14.94 converted at the exchange rate of 0.8232 were issued).

Notes to the Financial Statements

The average issue price of shares granted and the number of shares that are expected to ultimately vest to the employees at the end of the vesting period are used to calculate the fair value of shares. No dividends are incorporated into the measurement of the fair value of shares.

ANZ Share Option Plan
Selected employees may be granted options, which entitle them to purchase ordinary fully paid shares in the Ultimate Parent Bank at a price fixed at the time when the options were issued. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. Each option entitles a holder to purchase one ordinary share subject to any terms and conditions imposed on issue. The exercise price of the options (excluding zero-priced options) is determined in accordance with the rules of the plan, and is based on the weighted average price of the Ultimate Parent Bank's shares traded during the five business days preceding the date of granting the options.

The main schemes of the ANZ Share Option Plan are as follows:

Current option plans

Special Retention Deferred Share Rights
This is a program available to certain ANZ New Zealand employees. It grants the right to acquire shares at nil cost subject to satisfactorily meeting the time based hurdle. The Special Retention Deferred Share Rights can only be exercised between the third and fifth anniversary of their allocation (the 'Exercise Period'). In the case of resignation, only rights that become exercisable by the end of the notice period may be exercised. A grace period is provided in which to exercise the rights. All other rights will lapse. In the case of termination on notice, retrenchment, retirement, death or total and permanent disablement, a grace period is provided in which to exercise all deferred share rights.

Performance rights plan
This scheme is a long term incentive program available to certain ANZ New Zealand employees since November 2005 and grants the right to acquire shares at nil cost, subject to a three year vesting period and a Total Shareholder Return ("TSR") performance hurdle. The proportion of rights that will become exercisable will depend upon the TSR achieved by the Ultimate Parent Bank relative to the companies in the comparator group, which consists of selected major financial services companies in the Standard & Poor's and ASX 100 Index. Performance equal to the median TSR of the comparator group will result in half the rights becoming exercisable. Performance above the median will result in further performance rights becoming exercisable, increasing on a straight line basis until all of the rights become exercisable where the Ultimate Parent Bank's TSR is at or above the 75th percentile in the comparator group.

The TSR hurdle will only be tested once at the end of the three-year vesting period. If the rights do not pass the hurdle on testing date, or if they pass the hurdle on testing date and are not exercised by the end of five years from the grant date, the rights will lapse. In the case of resignation or termination on notice, only rights that become exercisable by the end of the notice period may be exercised. A grace period is provided in which to exercise the rights. All other rights will lapse. In the case of retrenchment or retirement, performance rights will be performance tested at the date of termination and where performance hurdles have been met, performance rights will be pro-rated and a grace period provided in which to exercise the rights. In case of death or total and permanent disablement, a grace period is provided in which to exercise all performance rights.

LTI Deferred Share Rights
This scheme is a long term incentive program available to certain ANZ New Zealand employees and grants the right to acquire a share at nil cost, subject to satisfactorily meeting the time based hurdle. The LTI Deferred Share Rights can only be exercised between the third and fifth anniversary of their allocation (their "Exercise Period"). In the case of resignation, all unvested LTI Deferred Share Rights (in addition to any vested unexercised rights) as at the time notice of resignation is given, will be forfeited. In case of termination on notice by the Ultimate Parent Bank, all unvested LTI Deferred Share Rights as at the time notice of termination of notice is received, will be forfeited. Any vested unexercised LTI Deferred Share Rights will be delivered as shares. In case of retrenchment (redundancy), any unvested LTI Deferred Share Rights as at the termination date will be pro-rated and be delivered as shares. In case of death or total and permanent disablement, all LTI Deferred Share Rights will vest and be delivered as shares.

Deferred share rights
This scheme is a short term incentive program available to certain ANZ New Zealand employees since November 2004 and grants the right to acquire shares at nil cost after a specified vesting period ranging from one to three years. Deferred share rights must be exercised by the seventh anniversary of grant date. In the case of resignation, all unvested deferred share rights and any vested unexercised share rights will be forfeited. In the case of termination on notice, all unvested share rights will be forfeited and any vested unexercised share rights will be delivered as shares. In the case of retrenchment, death or total and permanent disablement, all share rights will be available and delivered as shares.

Deferred share options
This scheme is a part of the short term incentive program available whereby certain ANZ New Zealand employees receive a mandatory deferred bonus under the Ultimate Parent Bank's Short Term Incentive ("STI") program. The options can only be exercised between the first and fifth anniversary (one-year deferred options) and between the second and fifth anniversary (two-year deferred options) of the grant date (exercise period) and subject to the requirement that the share price is greater than the exercise price. In the case of resignation or dismissal for serious misconduct, all unvested STI deferred options and any vested unexercised options, as at the time notice of resignation is given or upon dismissal, will be forfeited. In the case of termination on notice, all deferred options will be forfeited and a grace period is provided in which to exercise any vested unexercised deferred options. In the case of redundancy, retrenchment, death or total and

Notes to the Financial Statements

permanent disablement, all STI deferred options will vest and a grace period is provided in which to exercise all deferred share options.

Legacy Option Plans

Performance options plan
This scheme is a long term incentive program available to certain ANZ New Zealand employees. The options can only be exercised after a three year vesting period and before the seventh anniversary of the grant date. There are no other performance conditions attached to these options. All unexercised options are generally forfeited on resignation but any options to which ANZ New Zealand employee is entitled will need to be exercised within a specified period of termination. On retrenchment, entitlements to options will be pro-rated over the three year vesting period. On death or total and permanent disablement, all unvested options will become available for exercise. No further performance options have been granted to ANZ New Zealand employees after November 2005.

Zero-price options ("ZPO")
A ZPO is a right to acquire a share at nil cost and is granted to certain employees as part of their employment contracts. The ZPO's have no time based vesting criteria, so can be exercised at any time during employment and within 6 months of termination of employment. ZPO's must be exercised within two years of grant date or they lapse.

Other past option plans which are no longer available to ANZ New Zealand's employees, but continue to be amortised during their appropriate vesting periods are hurdled options and index linked options ("ILOs").

Details of the options over unissued Ultimate Parent Bank ordinary shares and their related weighted average exercise prices as at the beginning and end of the year and movements during the year are set out below:

	ANZ New Zealand			
	30/09/2010		30/09/2009	
	Number of shares	**Weighted average exercise price1**[1]	Number of shares	Weighted average exercise price[1]
		A$		A$
Share options at beginning of the year	**2,067,345**	**8.32**	1,741,771	10.86
Share options granted	**495,193**	**1.39**	709,805	2.51
Share options exercised	**(471,831)**	**9.30**	(109,936)	5.73
Share options forfeited and expired	**(139,323)**	**3.26**	(274,295)	10.44
Share options at end of the year	**1,951,384**	**6.40**	2,067,345	8.32
Weighted average share price during the year		**22.80**		16.53
Range of exercise prices on share options at end of the year		**0.00 - 23.49**		0.00 - 23.49
Weighted average remaining contractual life on share options at end of the year		**32 months**		35 months

[1] Calculation of weighted average exercise prices are affected by performance rights, deferred share rights and ZPO plans which have nil exercise prices.

Options valuations
The fair value of services received in return for share options are measured by referring to the fair value of share options granted. The fair value of options granted in the current year, measured at the date of grant are calculated using one of the following models:

a. Monte-Carlo simulation model utilising the assumptions underlying Black-Scholes. In terms of factoring in early exercise, the model assumes that deferred share rights and performance rights are exercised as soon as they vest so that the option holder can benefit from the dividends. It assumes that the performance options are exercised when the share price reaches twice the exercise price; or
b. An adjusted form of the Binomial Option pricing model ("BOM"). In terms of factoring in early exercise, the model assumes that the expected life of vanilla options is 5 years, performance rights is 4 years and that deferred share rights are exercised immediately to account for lack of marketability.

In addition, both models are designed such that they take into account as appropriate, any performance hurdles and non-transferability of the options.

The following inputs are used to measure the fair value of instruments granted during the year. All prices are quoted in Australian dollars:

Notes to the Financial Statements

Option type	STI deferred share rights	STI deferred share rights	LTI deferred share rights	Performance rights	Share options	Share options
Grant date	13/11/2009	13/11/2009	13/11/2009	13/11/2009	13/11/2009	13/11/2009
Number of options	79,646	83,635	259,713	41,084	15,046	15,044
Option value	$21.41	$20.39	$19.42	$12.17	$4.83	$5.09
Exercise price (5 day VWAP)	$nil	$nil	$nil	$nil	$22.80	$22.80
Share price at grant ($A)	$22.48	$22.48	$22.48	$22.48	$22.48	$22.48
Expected volatility[2]	35%	35%	35%	35%	35%	35%
Option term	5 years	5 years	5 years	5 years	5 years	5 years
Vesting period	1 year	2 years	3 years	3 years	1 year	2 years
Expected life	1 year	2 years	3 years	3 years	3 years	4 years
Expected dividends	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Risk free interest rate	4.3%	4.7%	5.0%	5.0%	5.0%	5.2%

[2] Expected volatility is based on the Ultimate Parent Bank's historical volatility.

40. Retirement Benefit Obligations

ANZ New Zealand has established a number of pension and superannuation schemes. ANZ New Zealand may be obliged to contribute to the schemes as a consequence of legislation and provision of trust deeds. Legal enforceability is dependent on the terms of the legislation and the requirements of Scheme Trust Deeds. The major schemes are:

		Contribution levels	
Scheme	**Scheme type**	**Employee**	**Employer**
ANZ National Bank Staff Superannuation Scheme[1]	Defined Benefit Scheme[2]	Nil	Balance of cost[4]
	or		
	Defined Contribution Scheme	2.5% minimum of salary	7.5% of salary[5]
The National Bank Staff Superannuation Fund[1]	Defined Benefit Scheme[2]	5% of salary	Balance of cost[4]
	or		
	Defined Contribution Scheme	2.0% minimum of salary	11.5% of salary[6]

[1] These schemes provide for pension benefits and provide for lump sum benefits.
[2] Closed to new members. Operates to make pension payments to retirees who were members of that section of the scheme or to dependents of the members.
[3] 30/09/2010: $nil (30/09/2009 $nil).
[4] 30/09/2010: 24.8% (30/09/2009 24.8%) of members' salaries.
[5] 30/09/2010: 7.5% (30/09/2009 7.5%) of members' salaries.
[6] 30/09/2010: 11.5% (30/09/2009 11.5%) of members' salaries.

Actuarial valuations for financial reporting purposes are undertaken every six months. The latest valuations were carried out as at 30 September 2010.

Notes to the Financial Statements

Amounts recognised in the balance sheet arising from ANZ New Zealand's obligation in respect of defined benefit schemes

$ millions	ANZ New Zealand 30/09/2010	30/09/2009
Defined benefit obligation at beginning of the year	**174**	179
Current service cost	**3**	3
Interest cost	**10**	11
Contributions by scheme participants	**1**	1
Actuarial gains	**(6)**	(2)
Benefits paid	**(17)**	(18)
Present value of funded defined benefit obligations	**165**	174
Fair value of scheme assets at beginning of the year	**119**	152
Expected return on scheme assets net of tax	**8**	8
Actuarial gains / (losses)	**21**	(27)
Contributions by employer	**7**	3
Contributions by scheme participants	**1**	1
Benefits paid	**(17)**	(18)
Fair value of scheme assets	**139**	119
Net defined benefit liability recognised on balance sheet	**(26)**	(55)

The fair value of scheme assets include cash deposits and fixed interest investments of $3 million with ANZ New Zealand as at 30 September 2010 (30/09/2009 $4 million).

Amounts recognised in the income statement in respect of defined benefit schemes

$ millions	ANZ New Zealand 30/09/2010	30/09/2009
Current service cost	**3**	3
Interest cost	**10**	11
Expected return on scheme assets net of tax	**(8)**	(8)
Contribution withholding tax	**2**	2
Total pension costs recognised in the income statement	**7**	8

Amounts recognised in equity in respect of defined benefit schemes

$ millions	ANZ New Zealand 30/09/2010	30/09/2009
Actuarial gains / (losses) incurred during the year and recognised directly in retained earnings	**18**	(18)
Cumulative actuarial losses recognised directly in retained earnings	**(16)**	(34)

Principal actuarial assumptions

	The National Bank Staff Superannuation Fund		ANZ National Bank Staff Superannuation Scheme	
	30/09/2010	30/09/2009	**30/09/2010**	30/09/2009
Defined benefits calculation				
Discount rate gross of tax	**6.0%**	6.0%	**6.0%**	6.0%
Future price inflation	**2.5%**	2.5%	**2.5%**	2.5%
Future pension increases	**2.5%**	2.5%	**2.5%**	2.5%
Future salary increases	**3.0%**		**n/a**	n/a
- 2009 and 2010		2.5%		
- Post 2010		3.0%		
Scheme assets calculation				
Expected return on scheme assets net of tax	**5.5%**	5.5%	**4.5%**	4.5%

The overall expected return on scheme assets is determined by reference to market expectations at the beginning of the relevant period of asset performance applicable to the period over which the defined benefit obligation is to be settled.

Notes to the Financial Statements

The overall expected return on scheme assets reflects an aggregation of the expected returns on the underlying asset classes.

The actual return on scheme assets (net of tax) for The National Bank Staff Superannuation Fund was 6.9% for the year ended 30 September 2010 (30/09/2009 -0.7%). The actual return on scheme assets (net of tax) for the ANZ National Bank Staff Superannuation Scheme was 6.2% for the year ended 30 September 2010 (30/09/2009 0.0%).

The investment return on scheme assets is taxed at 30% (30/09/2009 30%).

Major categories of scheme assets as a percentage of the fair value of scheme plan assets

	The National Bank Staff Superannuation Fund		**ANZ National Bank Staff Superannuation Scheme**	
	30/09/2010	30/09/2009	**30/09/2010**	30/09/2009
Cash and short term debt instruments	**7.3%**	14.1%	**8.7%**	8.1%
New Zealand fixed interest	**13.2%**	12.6%	**19.6%**	22.4%
Overseas fixed interest	**24.8%**	24.3%	**37.4%**	30.6%
Australasian shares	**19.8%**	10.4%	**9.9%**	10.2%
Overseas shares	**34.9%**	38.6%	**24.4%**	24.2%
Property fund units	**0.0%**	0.0%	**0.0%**	4.5%
	100.0%	100.0%	**100.0%**	100.0%

The benchmark weightings of each asset class are determined by the Trustee in conjunction with the investment manager.

Historical summary

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred in the period) and the effects of changes in actuarial assumptions on valuation date. The history of the schemes' net position and experience adjustments is as follows:

	ANZ New Zealand				
$ millions	**30/09/2010**	30/09/2009	30/09/2008	30/09/2007	30/09/2006
Defined benefit obligation	**(165)**	(174)	(179)	(181)	(190)
Fair value of scheme assets	**139**	119	152	189	196
Net benefit asset / (liability)	**(26)**	(55)	(27)	8	6
Experience adjustments on scheme liabilities	**3**	1	5	(1)	3
Experience adjustment on scheme assets	**14**	(20)	(21)	(7)	5

Employer contributions

To ensure the defined benefit schemes remain solvent, the schemes' independent actuaries recommend an employer contribution rate to ANZ New Zealand annually for The National Bank Staff Superannuation Fund and every three years for the ANZ National Bank Staff Superannuation Scheme.

The National Bank Staff Superannuation Fund deficit for funding purposes was valued at $20m in the most recent actuarial review at 1 April 2010. The ANZ National Bank Staff Superannuation Scheme surplus was valued at less than $1 million in the most recent actuarial valuation at 31 December 2007.

ANZ New Zealand contributed $7 million (net of contributions withholding tax) to its defined benefit schemes in the year to 30 September 2010 (30/09/2009 $3 million). Employer contributions are taxed at a maximum rate of 33% (30/09/2009 33%).

Contingent liabilities

The National Bank Staff Superannuation Fund

Under the Fund's Trust Deed, if this scheme were wound up, ANZ New Zealand would be required to pay the Trustee of the Fund an amount sufficient to ensure members do not suffer a reduction in benefits to which they would otherwise be entitled.

ANZ National Bank Staff Superannuation Scheme

If the Scheme is wound up then its assets must be cashed up and applied to all members' benefits. If Scheme funds are insufficient to pay all members' benefits then ANZ New Zealand must pay to the Scheme such amounts as the Scheme Actuary determines are necessary to pay those benefits.

Notes to the Financial Statements

41. Business Combinations

On 30 November 2009, ANZ New Zealand purchased ING Groep's 51% interest in ING NZ, which was the holding company for the ANZ-ING wealth management and life insurance joint venture in New Zealand. The acquisition took ANZ New Zealand's ownership interest in ING NZ to 100%. The transaction was undertaken to strengthen ANZ New Zealand's position in wealth management and more closely integrate its retail banking and wealth businesses. As a result of the change in ownership, the name of these businesses was changed to OnePath in November 2010.

As part of the transaction ANZ New Zealand also purchased ING Groep's 51% interests in two fixed income unit trusts, the ING Diversified Yield Fund and the ING Regular Income Fund ("the Funds"), taking its ownership interest to over 99% of the Funds.

$ millions	ANZ New Zealand
Fair values of assets acquired and liabilities assumed as at acquisition date	
Due from financial institutions	**142**
Available-for-sale assets	**173**
Investments relating to insurance business	**40**
Insurance policy assets	**67**
Shares in associates	**1**
Other assets[1]	**24**
Deferred tax assets	**35**
Premises and equipment	**4**
Intangible assets	**210**
Total assets	**696**
Due to financial institutions	**30**
Payables and other liabilities	**27**
Current tax liabilities	**27**
Provisions[2]	**95**
Total liabilities	**179**
Net assets	**517**
Non-controlling interests in the Funds[3]	**1**
Net assets attributable to ANZ New Zealand	**516**
Book value of existing equity interests	**351**
Loss on re-measuring existing equity interests to fair value[4]	**(82)**
Acquisition date fair value of existing equity interests	**269**
Cash consideration transferred	**247**
Total consideration	**516**
Total consideration less net assets acquired	**-**

[1] Includes receivables with a fair value of $16m and a gross contractual amount receivable of $17m. The best estimate at the acquisition date of the contractual cash flows not expected to be collected on these receivables is $1m.
[2] Includes employee related provisions and the fair value of contingent liabilities, which related to possible claims by investors in the Funds, investigations by regulatory bodies and other actual and potential claims and proceedings (refer Note 37). The expected timing and ultimate cost of contingent liabilities to ANZ New Zealand depends on the assessment and outcome of customer complaints, and the results of any litigation and regulatory investigations or proceedings that may be brought.
[3] Non-controlling interests are measured at their proportionate share of the identifiable net assets of the Funds.
[4] The loss on re-measuring equity interests of $82 million has been recognised in Other Operating Income in the Income Statement.

Included in ANZ New Zealand's Income Statement and Statement of Comprehensive Income since 30 November 2009 is net operating income of $147 million and a profit before tax of $57 million, excluding integration costs, contributed by ING NZ and the Funds. Had ING NZ and the Funds been consolidated from 1 October 2009, ANZ New Zealand's Income Statement and Statement of Comprehensive Income would have included, for the year ended 30 September 2010, net operating income of $173 million and a profit before tax of $67 million. Acquisition costs were paid by the Ultimate Parent Bank.

42. Subsequent Events

There have been no material subsequent events.

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.

Changes in Directorships
Since the authorisation date of the previous General Short Form Disclosure Statement on 25 August 2010, there have been no changes to Directors of the Ultimate Parent Bank.

Board Members as at 23 November 2010

The names, qualifications, occupation, country of residence and material external directorships of each director of the Ultimate Parent Bank as at the date this General 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, Tenix Group Pty Limited and Gifford Communications Pty Limited.

Directorate and Auditors

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, Visa International Senior Client Council, 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

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.
Principal: Clark Capital Partners.

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, Myer Holdings Limited, and Myer Pty Ltd.
Member: Takeovers Panel.

Lee Hsien Yang
MSc, BA
Company Director
Singapore

Mr Lee is a member of the Human Resource 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.

Directorate and Auditors

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
Chairman: PaperlinX Limited.
Director: Coca Cola Amatil Limited and Mirrabooka Investments Limited.
President: Melbourne Cricket Club.

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: AICD Victorian Council and The Nature Conservancy Australian Advisory Board.
Member: Takeovers Panel.

Chief Executive Officer, Australia and New Zealand Banking Group – New Zealand Branch
Susan Ruth Peterson
BComLLB
Chief Executive Officer & Managing Director – NZ Branch
Auckland, New Zealand

External Directorships
Director: IHC New Zealand

Auditors

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

Conditions of Registration

Conditions of Registration, applicable as at 23 November 2010.

There have been no changes in the NZ Branch's conditions of registration since the issuance of the last General Short Form Disclosure Statement dated 25 August 2010.

The registration of the NZ Branch as a registered bank is subject to the following conditions:

1. That the New Zealand Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

2. That the New Zealand Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
   i. Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
   ii. In measuring the size of the New Zealand Banking Group's insurance business:
      a. where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
         - The total consolidated assets of the group headed by that entity;
         - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
      b. otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
      c. the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
      d. where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the 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:
   i. the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   ii. 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:
   - tier one capital of the Australia and New Zealand Banking Group Limited is not less than 4 percent of risk weighted exposures;
   - 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:
   i. acquiring for fair value, and holding, mortgages originated by ANZ National Bank Limited; and
   ii. any other business for which the prior written approval of the Reserve Bank of New Zealand has been obtained; and
   iii. activities that are necessarily incidental to the business specified in paragraphs (i) and (ii).

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:
   i. to the government of New Zealand in respect of taxation and other charges; and
   ii. to other branches or the head office of the registered bank; and
   iii. to trade creditors and staff; and
   iv. to ANZ National Bank Limited in respect of activities, other than borrowing, that are necessarily incidental to the business specified in paragraphs (i) and (ii) of condition 7; and
   v. any other liabilities for which the prior written approval of the Reserve Bank has been obtained.

Conditions of Registration

For the purposes of these Conditions of Registration, the term "Banking Group" means the New Zealand operations of Australia and New Zealand Banking Group Limited whose business is required to be reported in the financial statements for the Group's New Zealand business, prepared in accordance with section 9(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 Statement (Full and Half Year - Overseas Incorporated Registered Banks) Order 2008;

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 2010:

i. ANZ New Zealand 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 General Disclosure Statement is dated 23 November 2010, 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

S R Peterson
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 General Disclosure Statement

We have audited the accompanying General Disclosure Statement and supplementary information (excluding the supplementary information relating to Capital Adequacy disclosed in note 31) of Australia and New Zealand Banking Group Limited – New Zealand Branch (the “NZ Branch") and its related entities (“ANZ New Zealand”) on pages 8 to 95. The General Disclosure Statement comprises the balance sheets as at 30 September 2010, 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. The supplementary information comprises the information that is required to be disclosed under the Registered Bank Disclosure Statement (Full and Half Year – Overseas Incorporated Registered Banks) Order 2008 (the “Order”) and is presented in notes 28, 31, 33 and 38 of the General Disclosure Statement.

Directors' Responsibility for the General Disclosure Statement

The directors are responsible for the preparation of the General Disclosure Statement in accordance with Clause 22 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 General 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 4 to 8 and Clauses 19 and 20 of Schedule 3 of the Order, and which is prepared 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on the General Disclosure Statement, including the supplementary information presented in notes 28, 31, 33 and 38, 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 General Disclosure Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the General Disclosure Statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the General 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 General 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 General 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 ANZ New Zealand subject to certain restrictions on borrowings. 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 General Disclosure Statement of Australia and New Zealand Banking Group Limited – New Zealand Branch and its related entities ("the NZ Branch and ANZ New Zealand") on pages 8 to 95 (excluding the supplementary information included in notes 28, 31, 33 and 38):

- 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 2010 and of their financial performance and cash flows for the year ended on that date.

In our opinion, the supplementary information that is required to be disclosed under Schedules 4, 6 to 8 and clause 19 and 20 of Schedule 3 of the Order, and is included within notes 28, 31, 33 and 38 of the General 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

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 Capital Adequacy

We have reviewed the supplementary information relating to Capital Adequacy, as disclosed in note 31 of the General Disclosure Statement.

Directors' Responsibility for the Supplementary Information Relating to Capital Adequacy

The directors are responsible for the preparation of supplementary information relating to Capital Adequacy that is required to disclosed under Schedule 5 of the Order and prepared in accordance with the NZ Branch's Conditions of Registration and with the NZ Branch's internal models for credit risk and operational risk, as accredited by the Reserve Bank of New Zealand and described in note 31 of the General Disclosure Statement.

Auditor's Responsibility

Our responsibility is to express an opinion on the supplementary information relating to Capital Adequacy based on our review. We conducted our review in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. Those standards require that we comply with ethical requirements and plan and perform the review to obtain limited assurance about whether the supplementary information relating to Capital Adequacy is free from material misstatement.

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 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 Capital Adequacy, disclosed in note 31 of the General Disclosure Statement, is not prepared and disclosed, in all material respects, in accordance with:

- the NZ Branch's Conditions of Registration;
- the NZ Branch's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- Schedule 5 of the Registered Bank Disclosure Statement (Full and Half Year – Overseas Incorporated Registered Banks) Order 2008, as amended.

KPMG

23 November 2010

KPMG Wellington

Index