

**BNZ INTERNATIONAL FUNDING LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2012**

The Directors are pleased to present the financial statements for the year ended 30 September 2012.

For and on behalf of the Board of Directors

  
.....  
Director

*14 December 2012*  
.....  
Date

  
.....  
Director

*14 December 2012*  
.....  
Date



## BNZ International Funding Limited

### INCOME STATEMENT

For the year ended 30 September 2012

	Note	30/9/12 \$000	30/9/11 \$000
Interest income	2, 11	415,867	395,538
Interest expense	2	415,417	395,153
Net interest income		450	385
Other operating income	3, 11	7,485	8,799
Total operating income		7,935	9,184
Operating expenses	4	2,509	3,857
Operating profit before income tax		5,426	5,327
Income tax expense	5	1,519	1,598
Net profit attributable to shareholder of BNZ International Funding Limited		3,907	3,729

*The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.*

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2012

	30/9/12 \$000	30/9/11 \$000
Net profit attributable to shareholder of BNZ International Funding Limited	3,907	3,729
Other comprehensive income, net of taxation		-
Total comprehensive income attributable to shareholder of BNZ International Funding Limited	3,907	3,729

*The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.*



**BNZ International Funding Limited****STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 September 2012

	Ordinary Capital \$000	30/9/12 Retained profits \$000	Total \$000
Balance at beginning of year	100	15,823	15,923
Comprehensive income			
Net profit attributable to shareholder of BNZ International Funding Limited	-	3,907	3,907
Total other comprehensive income	-	-	-
Total comprehensive income	-	3,907	3,907
Balance at end of year	100	19,730	19,830
		30/9/11	
Balance at beginning of year	100	12,094	12,194
Comprehensive income			
Net profit attributable to shareholder of BNZ International Funding Limited	-	3,729	3,729
Total other comprehensive income	-	-	-
Total comprehensive income	-	3,729	3,729
Balance at end of year	100	15,823	15,923

*The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.*

**BNZ International Funding Limited**


**BALANCE SHEET**

**As at 30 September 2012**

	Note	30/9/12 \$000	30/9/11 \$000
<b>Assets</b>			
Call balances due from other financial institutions		53	58
Call balances due from related entities	11	19,569	16,089
Other amounts due from related entities	11	13,790,687	18,355,487
Other assets	6	13	8
<b>Total assets</b>		<b>13,810,322</b>	<b>18,371,642</b>
<b>Liabilities</b>			
Short term debt securities	7	3,526,786	8,095,112
Bonds and notes	8	7,771,277	7,695,519
Amounts due to related entities	11	2,491,060	2,560,174
Current tax liabilities		890	906
Other liabilities	9	479	4,008
<b>Total liabilities</b>		<b>13,790,492</b>	<b>18,355,719</b>
<b>Net assets</b>		<b>19,830</b>	<b>15,923</b>
<b>Shareholder's equity</b>			
Contributed equity	12	100	100
Retained profits		19,730	15,823
<b>Total shareholder's equity</b>		<b>19,830</b>	<b>15,923</b>

*The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.*

For and on behalf of the Board, who authorised the issue of these financial statements on 14 December 2012.

  
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Director

  
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Director

**BNZ International Funding Limited**

**CASH FLOW STATEMENT**

For the year ended 30 September 2012

	30/9/12	30/9/11
	\$000	\$000
Cash flows from operating activities		
<i>Cash was provided from:</i>		
Interest income	426,097	361,057
Other operating income	7,086	8,888
<i>Cash was applied to:</i>		
Interest expense	(426,365)	(301,316)
Operating expenses	(2,509)	(3,857)
Income tax payments	(1,535)	(1,546)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>2,774</b>	<b>3,226</b>
Changes in operating assets and liabilities arising from cash flow movements		
Net movement in other liabilities*	53	(86)
Net movement in other assets	(5)	(2)
<b>Net change in operating assets and liabilities</b>	<b>48</b>	<b>(88)</b>
<b>Net cash flows from operating activities</b>	<b>2,822</b>	<b>3,138</b>
Cash flows from financing activities		
Net movement in bonds and notes*	(264,694)	1,435,371
Net movement in short term debt securities*	(4,570,479)	817,310
Net movement in other related entity funding*	4,835,826	(2,319,947)
Net movement in other assets	-	67,839
<b>Net cash flows from financing activities</b>	<b>653</b>	<b>573</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,475</b>	<b>3,711</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>16,147</b>	<b>12,436</b>
<b>Cash and cash equivalents at end of year</b>	<b>19,622</b>	<b>16,147</b>
Cash and cash equivalents at end of year comprised:		
Call balances due from other financial institutions	53	58
Call balances due from related entities	19,569	16,089
<b>Total cash and equivalents</b>	<b>19,622</b>	<b>16,147</b>

\* The amounts shown represent the net cash flows for the financial year.

**BNZ International Funding Limited**

**CASH FLOW STATEMENT continued**  
**For the year ended 30 September 2012**

	30/9/12	30/9/11
	\$000	\$000
<i>Reconciliation of net profit attributable to shareholder of BNZ International Funding Limited to net cash flows from operating activities</i>		
Net profit attributable to shareholder of BNZ International Funding Limited	3,907	3,729
<i>Add back non-cash items in net profit:</i>		
Increase in accrued interest payable	-	33,837
Increase in provision for tax	-	52
Decrease in other operating income receivable	-	89
Decrease in accrued interest receivable	10,230	-
<i>Deduct non-cash items in net profit:</i>		
Increase in other operating income receivable	(399)	-
Increase in accrued interest receivable	-	(34,481)
Decrease in provision for tax	(16)	-
Decrease in accrued interest payable	(10,948)	-
<i>Deduct operating cash flows not included in profit</i>		
Net change in operating assets and liabilities	48	(88)
<b>Net cash flows from operating activities</b>	<b>2,822</b>	<b>3,138</b>

Netting of cash flows

Certain cash flows (as indicated by \*) are shown net as these cash flows are either received and disbursed on behalf of customers and counterparties and therefore reflect the activities of these parties rather than those of the Company; or are received and disbursed in transactions where the turnover is quick, the amounts large and the maturities short.

*The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.*



## **BNZ International Funding Limited**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 September 2012**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

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BNZ International Funding Limited (the "Company") is a company with limited liability incorporated in New Zealand and is a wholly owned controlled entity of Bank of New Zealand. The Company has established a London branch, registered in England & Wales under branch number BRO08377 and company number FC026206. The Company's Registered Office is Level 4, 80 Queen Street, Auckland, New Zealand.

The Company is incorporated for the specific purpose of, through its London branch, raising offshore wholesale funding and undertaking other related activities for the Bank of New Zealand group.

##### **Basis of preparation and Statement of compliance**

These financial statements are general purpose financial reports prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). 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 following new standards and amendments to standards relevant to the Company have been adopted from 1 October 2011 and have been applied in the preparation of these financial statements:

- Harmonisation Amendments are effective for periods beginning on or after 1 July 2011. This amends multiple standards to harmonise NZ IFRS with IFRS and Australian Accounting Standards and is read in conjunction with FRS-44 NZ Additional Disclosures.
- Improvements to NZ IFRSs (July 2010) – NZ IFRS 7 Financial Instruments: Disclosures are effective for periods beginning on or after 1 January 2011. These Improvements have resulted in additional disclosure on maximum credit exposures and credit enhancements related to these exposures.

The following new standard and amendments to standards relevant to the Company are not yet effective and have not yet been applied in preparing these financial statements:

- NZ IFRS 9 Financial Instruments (2010) was issued in November 2009 and is applicable for periods beginning on or after 1 January 2015. It is intended to replace New Zealand International Accounting Standard ("NZ IAS") 39 Financial Instruments: Recognition and Measurement with NZ IFRS 9. It currently establishes the classification and measurement of financial assets and liabilities. New requirements for impairment and hedge accounting are yet to be finalised. The Company is in the process of evaluating the potential impact of this standard.
- NZ IFRS 13 Fair Value Measurement was issued in June 2011 and is effective for periods beginning on or after 1 January 2013. It explains how to measure fair value of assets and liabilities and expands the disclosure requirements for all assets or liabilities carried at fair value. The Company is in the process of evaluating the potential effect of this standard.
- NZ IAS 1 Amendments to NZ IAS 1 Presentation of Financial Statements was issued in August 2011 and is effective for periods beginning on or after 1 July 2012. It requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments). The Company is in the process of evaluating the potential effect of this standard.

The Company has also considered all other standards issued but not yet effective and determined that they have no material impact on the financial statements. There have been no material changes in accounting policies during the annual reporting period.

The preparation of the financial statements requires the use of certain estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Assumptions made as at each reporting date are based on estimates at that date. Although the Company has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected. It is not anticipated that such differences would be material.

##### **Historical cost**

The financial statements have been prepared under the historical cost convention, modified by the application of fair value measurements.

##### **Currency of presentation**

Unless otherwise stated, all amounts are expressed in New Zealand dollars, which is the Company's functional and presentation currency.





**BNZ International Funding Limited**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

**1. PRINCIPAL ACCOUNTING POLICIES continued**

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**Rounding of amounts**

All amounts have been rounded to the nearest thousand dollars except where indicated.

**Foreign currency translation**

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Fair value measurement**

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

Where a financial asset or liability is to be stated at fair value, the best evidence is independently quoted market prices in an active market. Where such prices are unavailable, then depending on the circumstances, alternative evidence may be used, including the price of recent transactions, prices for similar instruments or prices obtained utilising component parts (which when aggregated form the price of the whole instrument).

Where no active market exists for a particular asset or liability, the Company uses standard market valuation techniques to arrive at the estimated fair value, utilising observable market sourced inputs wherever possible. Depending on the circumstances, the same alternative evidence (as described above) may be used in the valuation techniques. The valuation techniques address factors such as interest rates, liquidity and credit risk.

Fair value asset or liability prices defined above generally represent the present value of all future cash flows including those relating to interest, dividends or other cash flows as appropriate.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the profit on initial recognition (i.e. on day one).

**Assets**

***Cash and cash equivalents***

Cash and cash equivalents consist of cash and short term, highly liquid investments, namely, Call balances due from other financial institutions and Call balances due from related entities on the Company's balance sheet. Cash and cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

***Financial assets***

Under NZ IAS 39 Financial Instruments: Recognition and Measurement, financial assets are required to be classified as:

- fair value through profit or loss;
- available for sale;
- held to maturity; or
- loans and receivables.

In accordance with NZ IAS 39, certain financial assets have been classified as fair value through profit or loss. Items classified at fair value through profit or loss comprise of financial assets designated at fair value through profit or loss on initial recognition. Refer to Note 10 Fair Value of Financial Assets and Liabilities for further information.

Purchases and sales of financial assets designated as fair value through profit or loss are recognised on trade date, being the date that the Company is committed to purchase or sell an asset.

Financial assets classified as fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the income statement immediately. Subsequently, they are measured at fair value with gains and losses recognised in the income statement as they arise.

**BNZ International Funding Limited**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

**1. PRINCIPAL ACCOUNTING POLICIES continued**

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Upon initial recognition, financial assets may be designated at fair value through profit or loss. This classification can only be used in the following circumstances:

- where designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities (not only financial assets and liabilities) or recognising the gains or losses on them on different bases. Under this criterion, the Company has designated certain amounts within Other amounts due from related entities at fair value through profit or loss upon initial recognition to reduce the measurement inconsistency that would otherwise arise in the income statement because the Short term debt securities and Bonds and notes liabilities are measured at fair value through profit or loss; or
- those that are part of a group of financial assets, financial liabilities or both, that are managed and their performance is evaluated by management on a fair value basis in accordance with the documented risk management or investment strategy; or
- those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.

Once a financial asset has been designated at fair value through profit or loss upon initial recognition, the Company cannot subsequently change the designation.

Financial assets also comprise Call balances due from other financial institutions, Call balances due from related entities, Treasury funding fees recorded within Other amounts due from related entities and Other assets, all of which have been classified as Loans and receivables for the purposes of NZ IAS 39. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently recorded at amortised cost, using the effective interest method, adjusted for impairment losses.

**Liabilities**

*Financial liabilities*

Financial liabilities comprise Short term debt securities, Bonds and notes, Amounts due to related entities and the accrued interest payable recorded within Other liabilities.

Financial liabilities may be held at fair value through profit or loss or at amortised cost. Refer to Note 10 Fair Value of Financial Assets and Liabilities for further information. Items held at fair value through profit or loss comprise items specifically designated at fair value through profit or loss on initial recognition.

Liabilities may be designated at fair value through profit or loss if they meet the following criteria:

- where designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities (not only financial assets and liabilities) or recognising the gains or losses on them on different bases; or
- those that are part of a group of financial assets, financial liabilities or both, that are managed and their performance is evaluated by management on a fair value basis in accordance with the documented risk management or investment strategy. Under this criterion Short term debt securities, Bonds and notes and short term debt securities and bonds and notes recorded within Amounts due to related entities have been designated at fair value through profit or loss; or
- those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.

Financial liabilities held at fair value through profit or loss are initially recognised at fair value with transaction costs being recognised immediately in the income statement. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise exclusive of interest income.

All other financial liabilities, including other related entities payable recorded within Amounts due to related entities and the accrued interest payable recorded within Other liabilities are measured at amortised cost using the effective interest method. As at 30 September 2012, certain liabilities of \$890,000 (30 September 2011: \$906,000) rank in priority to general creditors' claims in a winding up of the Company.

## **BNZ International Funding Limited**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

#### **1. PRINCIPAL ACCOUNTING POLICIES continued**

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##### **Income Tax**

Income tax expense is the income tax charge/(benefit) incurred on the current year profit or loss and is the aggregate of the movements in deferred tax and the amount of income taxes payable/(recoverable) in respect of taxable profit/(loss) for the year at the applicable tax rate.

Deferred tax assets are the amounts of income taxes recoverable in future periods including unused tax losses and unused tax credits carried forward. Deferred tax liabilities are the amounts of income taxes payable in future periods. Deferred tax assets and liabilities arise when there is a temporary difference between the tax bases (amount attributable to the asset or liability for tax purposes) of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of deferred income tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

##### **Revenue and Expense Recognition**

###### ***Net Interest income***

Net Interest income is reflected in the income statement using the effective interest method.

The effective interest method is a method of calculating amortisation using the effective interest rate of a financial asset or financial liability. The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) excluding future credit losses.

The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

###### ***Fees and commissions***

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis when the service has been provided. Fees and commissions not integral to the effective interest rate arising from negotiating, or participating in the negotiation of a transaction with a third party, such as purchase or sale of businesses, are recognised on completion of the underlying transaction.

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**BNZ International Funding Limited**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

	30/9/12	30/9/11
	\$000	\$000
<b>2. INTEREST</b>		
Interest income		
Related entities	415,867	395,538
<b>Total interest income</b>	<b>415,867</b>	<b>395,538</b>
Interest expense		
Short term debt securities	24,795	22,729
Bonds and notes	227,101	182,308
Related entities	163,521	190,116
<b>Total interest expense</b>	<b>415,417</b>	<b>395,153</b>
	30/9/12	30/9/11
	\$000	\$000
<b>3. OTHER OPERATING INCOME</b>		
Treasury services fees	7,485	8,799
Gain in the fair value of financial assets designated at fair value through profit or loss	176,732	56,767
Credit risk adjustments on financial assets designated at fair value through profit or loss	171,560	(95,536)
Loss in the fair value of financial liabilities designated at fair value through profit or loss	(176,732)	(56,767)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	(171,560)	95,536
<b>Total other operating income</b>	<b>7,485</b>	<b>8,799</b>
	30/9/12	30/9/11
	\$000	\$000
<b>4. OPERATING EXPENSES</b>		
Legal expenses	713	1,429
Personnel expenses	313	327
Statutory audit services	82	79
Rating agency fees	839	1,110
Other professional fees	221	488
Other	341	424
<b>Total operating expenses</b>	<b>2,509</b>	<b>3,857</b>

**BNZ International Funding Limited****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

	30/9/12	30/9/11
<b>5. INCOME TAX EXPENSE</b>	\$000	\$000
Income tax charged to income statement		
Current tax	1,519	1,598
Total income tax charged to income statement	1,519	1,598
Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit		
Total operating profit before income tax expense	5,426	5,327
Prima facie income tax at 30%	N/A	1,598
Prima facie income tax at 28%	1,519	N/A
Tax expense on operating profit	1,519	1,598
Effective tax rate	28%	30%

	30/9/12	30/9/11
<b>6. OTHER ASSETS</b>	\$000	\$000
Other asset	13	8
Total other assets	13	8

	30/9/12	30/9/11
<b>7. SHORT TERM DEBT SECURITIES</b>	\$000	\$000
Commercial paper	3,526,786	8,095,112
Total short term debt securities	3,526,786	8,095,112

All commercial paper has been raised through the Company's London branch, in the financial, investment and insurance industry sectors. Short term debt securities rank equally in priority with claims on financial liabilities in the event of liquidation.

	30/9/12	30/9/11
<b>8. BONDS AND NOTES</b>	\$000	\$000
Medium term notes	7,771,277	7,695,519
Total bonds and notes	7,771,277	7,695,519

All bonds and notes have been raised through the Company's London branch, in the financial, investment and insurance industry sector.

Details of the terms and conditions of these medium term notes as at 30 September 2012 were as follows:

**BNZ International Funding Limited**
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**
**8. BONDS AND NOTES continued**

Issue Currency	Coupon Rate %	Maturity Date	Face Value*		
			Issue Currency Thousands	30/9/12 Fair Value NZ \$000	30/9/11 Fair Value NZ \$000
New Zealand dollar	3 month NZD BKBM + 72bp	7 December 2011	40,000	-	40,068
US dollar	3 month USD LIBOR + 7.5bp	8 December 2011	600,000	-	783,277
Japanese yen	3 month JPY LIBOR + 60bp	25 May 2012 **	3,200,000	-	54,936
US dollar	2.625 (fixed)	5 June 2012 **	750,000	-	1,000,810
US dollar	3 month USD LIBOR + 70bp	18 June 2012 **	60,000	-	78,770
US dollar	3 month USD LIBOR + 37bp	16 July 2012 **	45,000	-	59,008
US dollar	3 month USD LIBOR + 30bp	6 August 2012	50,000	-	65,326
Hong Kong dollar	2.190 (fixed)	19 November 2012	150,000	23,643	26,043
Hong Kong dollar	2.075 (fixed)	27 November 2012	200,000	31,485	34,637
US dollar	3 month USD LIBOR + 80bp	10 December 2012	30,000	35,980	39,397
US dollar	3 month USD LIBOR + 78bp	11 December 2012	30,000	35,977	39,388
US dollar	3 month USD LIBOR + 90bp	15 May 2013	122,000	146,879	160,485
US dollar	3 month USD LIBOR + 100bp	27 August 2013	100,000	120,663	131,325
Japanese yen	3 month JPY LIBOR + 45bp	11 November 2013	2,900,000	45,045	49,632
Hong Kong dollar	3 month HIBOR + 65bp	18 November 2013	100,000	15,522	16,812
Japanese yen	1.715 (fixed)	27 May 2014 **	15,000,000	239,406	266,047
Japanese yen	1.445 (fixed)	2 June 2014 **	3,000,000	47,622	52,798
Hong Kong dollar	3.030 (fixed)	11 June 2014	100,000	16,101	17,611
US dollar	3 month USD LIBOR + 115bp	6 October 2014	50,000	60,624	65,409
Japanese yen	1.464 (fixed)	3 December 2014	5,000,000	79,019	87,326
US dollar	3 month USD LIBOR + 210bp	3 February 2015	150,000	185,906	-
Japanese yen	1.02875 (fixed)	16 February 2015	1,500,000	23,412	-
Swiss Franc	2.000 (fixed)	18 February 2015	300,000	404,341	449,542
Japanese yen	0.900 (fixed)	23 March 2015	800,000	12,436	-
Swiss Franc	3 month CHF LIBOR + 110bp	27 March 2015	175,000	225,012	-
Euro	2.375 (fixed)	7 May 2015 ***	500,000	817,239	-
Japanese yen	3 month JPY LIBOR + 55bp	26 May 2015	500,000	7,762	8,504
Japanese yen	3 month JPY LIBOR + 52bp	29 June 2015	500,000	7,742	8,492
US dollar	3 month USD LIBOR + 125bp	3 August 2015	5,000	6,067	6,546
Hong Kong dollar	3 month HIBOR + 90bp	14 September 2015	240,000	36,998	-
Japanese yen	0.400 (fixed)	18 September 2015	1,000,000	15,310	-
US dollar	3 month USD LIBOR + 130bp	17 November 2015	10,000	12,134	13,085
Australian Dollar	6.250 (fixed)	14 June 2016 ***	700,000	950,259	936,839
Euro	4.000 (fixed)	8 March 2017	750,000	1,302,332	1,317,769
Japanese yen	1.150 (fixed)	23 March 2017	1,000,000	15,528	-
US dollar	3 month USD LIBOR + 150bp	24 May 2017	15,000	18,254	-
Japanese yen	3 month JPY LIBOR + 100bp	26 July 2017	11,400,000	179,764	-
Japanese yen	1.260 (fixed)	26 July 2017	14,100,000	221,517	-
Euro	3.125 (fixed)	23 November 2017 ***	1,000,000	1,715,147	1,825,652
Swiss Franc	1.500 (fixed)	22 January 2018	225,000	300,913	-
Swiss Franc	1.125 (fixed)	20 September 2019	275,000	352,375	-
Hong Kong dollar	3.480 (fixed)	8 September 2020	53,000	8,677	9,189
New Zealand dollar	6.590 (fixed)	30 September 2020	25,000	27,093	25,398
New Zealand dollar	6.590 (fixed)	30 September 2020	25,000	27,093	25,398
				7,771,277	7,695,519

All medium term notes issued by the Company are on-lent to Bank of New Zealand, the Company's parent company.

\* Face value represents current value on issue.

\*\* These medium term notes are covered by the Crown wholesale funding guarantee. Refer to Note 11 Related Entity Transactions for further information.

\*\*\* These medium term notes are guaranteed by the Trustee of the BNZ Covered Bond Trust ("the Covered Bond Trust"). Refer to Note 11 Related Entity Transactions for further information.

**BNZ International Funding Limited**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued**

	30/9/12	30/9/11
	\$000	\$000
<b>9. OTHER LIABILITIES</b>		
Accrued interest payable	-	3,583
Accrued expenses	479	425
<b>Total other liabilities</b>	<b>479</b>	<b>4,008</b>

**10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

\$000	30/9/12				
	Classified at Fair Value Through Profit or Loss Designated on Initial		Loans and Receivables	Total Carrying Amount	Fair Value
	Recognition				
Financial assets					
Call balances due from other financial institutions	-	53	53	53	53
Call balances due from related entities	-	19,569	19,569	19,569	19,569
Other amounts due from related entities	11,298,186	2,492,501	13,790,687	13,790,687	13,790,687
<b>Total financial assets</b>	<b>11,298,186</b>	<b>2,512,123</b>	<b>13,810,309</b>	<b>13,810,309</b>	<b>13,810,309</b>

\$000	30/9/11				
	Classified at Fair Value Through Profit or Loss Designated on Initial		Loans and Receivables	Total Carrying Amount	Fair Value
	Recognition				
Financial assets					
Call balances due from other financial institutions	-	58	58	58	58
Call balances due from related entities	-	16,089	16,089	16,089	16,089
Other amounts due from related entities	15,794,313	2,561,174	18,355,487	18,355,487	18,355,487
<b>Total financial assets</b>	<b>15,794,313</b>	<b>2,577,321</b>	<b>18,371,634</b>	<b>18,371,634</b>	<b>18,371,634</b>

\$000	30/9/12				
	Classified at Fair Value Through Profit or Loss Designated on Initial		At Amortised Cost	Total Carrying Amount	Fair Value
	Recognition				
Financial liabilities					
Short term debt securities	2,526,786	-	3,526,786	3,526,786	3,526,786
Bonds and notes	7,771,277	-	7,771,277	7,771,277	7,771,277
Amounts due to related entities	-	2,491,060	2,491,060	2,491,060	2,491,060
<b>Total financial liabilities</b>	<b>11,298,063</b>	<b>2,491,060</b>	<b>13,789,123</b>	<b>13,789,123</b>	<b>13,789,123</b>

\$000	30/9/11				
	Classified at Fair Value Through Profit or Loss Designated on Initial		At Amortised Cost	Total Carrying Amount	Fair Value
	Recognition				
Financial liabilities					
Short term debt securities	8,095,112	-	8,095,112	8,095,112	8,095,112
Bonds and notes	7,695,519	-	7,695,519	7,695,519	7,695,519
Amounts due to related entities	-	2,560,174	2,560,174	2,560,174	2,560,174
Other liabilities	-	3,583	3,583	3,583	3,583
<b>Total financial liabilities</b>	<b>15,790,631</b>	<b>2,563,757</b>	<b>18,354,388</b>	<b>18,354,388</b>	<b>18,354,388</b>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

Difference between carrying amount and contractual amount on financial liabilities designated at fair value through profit or loss on initial recognition

	30/9/12			30/9/11		
	Carrying	Contractual	Higher/	Carrying	Contractual	Higher/
	Amount	Amount	(Lower)	Amount	Amount	(Lower)
	\$000	\$000	\$000	\$000	\$000	\$000
Short term debt securities	3,526,786	3,523,665	3,121	8,095,112	8,094,145	967
Bonds and notes	7,771,277	7,276,516	494,761	7,695,519	7,541,209	154,310
	11,298,063	10,800,181	497,882	15,790,631	15,635,354	155,277

Movements in fair value of Bonds and notes designated at fair value through profit or loss on initial recognition attributable to changes in credit risk

	30/9/12	30/9/11
	\$000	\$000
Bonds and notes		
Balance at beginning of year	(115,453)	(19,917)
Movement during the year	171,560	(95,536)
Balance at end of year	56,107	(115,453)

The movement in fair value attributable to changes in the credit risk of bonds and notes designated at fair value through profit or loss is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. The movement in fair value of these liabilities has resulted in an equal and opposite movement in the Amount due from related entities, which has an offsetting effect to the Company as a result of the on-lending agreement with Bank of New Zealand.

Hierarchy for fair value measurements

The following paragraphs present a three level fair value hierarchy of the Company's financial assets and financial liabilities which are measured at fair value.

The three levels in the hierarchy are based on the valuation methods and assumptions used in determining the fair values of financial assets and financial liabilities. The levels are as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities. The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 1 classification.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As at September 2012, all fair value assets and liabilities have been assessed as Level 2 using observable market data as inputs which are generally modified in some way such as averaging at source (e.g. multi-contributor page) or a valuation technique (e.g. interpolation or discounting) (30 September 2011: all).

Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 3 classification.

Management uses its judgment in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market.



## BNZ International Funding Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

#### 11. RELATED ENTITY TRANSACTIONS

The Company is a wholly owned controlled entity of Bank of New Zealand whose ultimate parent company is National Australia Bank Limited. Bank of New Zealand has guaranteed all debt securities issued by the Company, acting through its London branch, for the amount and term of such securities. If the Company, acting through its London branch, issues any debt securities which are guaranteed by Bank of New Zealand, then the proceeds of that debt issue must be on-lent to Bank of New Zealand on terms and conditions which match the terms and conditions of the debt issue. Financial liabilities represented by Bonds and notes, Short term debt securities and accrued interest payable are guaranteed by Bank of New Zealand.

Certain debt securities issued by the Company prior to 30 April 2010 are guaranteed by Her Majesty the Queen in right of New Zealand acting by and through the Minister of Finance under the Crown wholesale funding guarantee scheme (the "Scheme"). The scheme was closed on 30 April 2010. The guarantees have been entered into by Bank of New Zealand on behalf of the Company. Refer to Note 8 Bonds and Notes for further information.

The Covered Bond Trust holds Bank of New Zealand housing loans and provides guarantees to certain debt securities issued by the Company or Bank of New Zealand, the Company's parent company. The payment of interest and principal of certain debt securities issued by the Company is guaranteed by the Covered Bond Trust. Guarantees provided in relation to the covered bonds issued have a prior claim over the assets of the Covered Bond Trust. The underlying collateral for the guarantees provided by the Covered Bond Trust comprised housing loans and other assets to the value of \$5,467 million as at 30 September 2012 (30 September 2011: \$4,083 million). Refer to Note 8 Bonds and Notes for further information.

Other principal intragroup transactions comprise: (1) the provision of treasury and funding services to Bank of New Zealand, which earn treasury service and funding fee income, (2) the supply, as required, of settlement, accounting, tax, regulatory compliance and legal services and seconded staff from Bank of New Zealand and/or National Australia Bank Limited, (3) a licence of London branch premises from National Australia Bank Limited, (4) payment to a controlled entity of National Australia Bank Limited, for the benefit of tax losses provided by way of tax loss offset, and (5) commercial papers and bonds and notes issued to National Australia Bank Limited. These transactions with Bank of New Zealand Limited and National Australia Bank Group have been entered into at arm's length on normal commercial terms and conditions.

Key management personnel are defined as being Directors of the Company. During the year ended 30 September 2012, there were no loans made to or deposits received from key management personnel, their close family members, or their controlled entities (30 September 2011: nil). No compensation was paid by the Company to key management personnel during the year ended 30 September 2012 (30 September 2011: nil).

The following table provides the total amount of transactions with related entities for the relevant financial year.

	30/9/12	30/9/11
Receivables and Payables with Related Entities	\$000	\$000
Related entity receivables		
Bank of New Zealand	13,810,256	18,371,576
Related entities payables		
Bank of New Zealand	-	20
National Australia Bank Limited	2,491,060	2,560,154

	30/9/12		30/9/11	
	Revenue from Related Entities	Expenses to Related Entities	Revenue from Related Entities	Expenses to Related Entities
Transactions with Related Entities	\$000	\$000	\$000	\$000
Bank of New Zealand	423,352	2,146	404,337	1,479
National Australia Bank Limited	-	163,794	-	190,359

During the year ended 30 September 2012, the Company made a payment of \$181,000 to JB Were (NZ) Limited for the benefit of tax losses provided by way of tax loss offset (30 September 2011: \$156,000 payment to BNZ Life Insurance Limited).

Details of the terms and conditions of bonds and notes issued to National Australia Bank Limited as at 30 September 2012 were as follows:

Issue Currency	Coupon Rate %	Maturity Date	Face Value <sup>1</sup> \$000	30/9/12	30/9/11
				Fair Value \$000	Fair Value \$000
Australian dollar	3 month AUD BBSW + 200bp	30 March 2012	500,000	-	637,000
Australian dollar	3 month AUD BBSW + 280bp	15 November 2012	1,000,000	1,263,525	1,285,825
Australian dollar	3 month AUD BBSW + 110bp	28 June 2013	500,000	626,828	637,189
US dollar	3 month USD LIBOR + 230bp	14 November 2018	500,000	600,693	-

<sup>1</sup>Face value of bonds and notes disclosed in Issue Currency.



## BNZ International Funding Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

#### 12. CONTRIBUTED EQUITY

	30/9/12	30/9/11
Number of shares in Thousands		
Ordinary shares, fully paid - balance at beginning of year	100	100
Ordinary shares issued during the year	-	-
Ordinary shares, fully paid - balance at end of year	100	100

Each of the 100,000 (30 September 2011: 100,000) ordinary shares entitles the shareholder to one vote at any meeting of shareholders and shares equally in dividends and surpluses on winding up. Shares do not have a par value.

When managing capital, which includes contributed equity and retained profits, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the shareholders.

#### 13. INTEREST RATE REPRICING SCHEDULE

The following tables represent a breakdown, by repricing dates or contractual maturity, whichever is the earlier, of the balance sheet.

\$000	Total	30/9/12				Over 2 Years	Non- Interest Sensitive
		Up to 3 Months	3 Months and up to 1 year	Over 1 Year and up to 2 Years			
<b>Assets</b>							
Call balances due from financial institutions	53	53	-	-	-	-	-
Call balances due from related entities	19,569	19,569	-	-	-	-	-
Other amounts due from related entities	13,790,687	6,925,850	274,694	303,129	6,272,692	14,322	-
All other assets	13	-	-	-	-	-	13
<b>Total assets</b>	<b>13,810,322</b>	<b>6,945,472</b>	<b>274,694</b>	<b>303,129</b>	<b>6,272,692</b>	<b>14,335</b>	<b>-</b>
<b>Liabilities</b>							
Short term debt securities	3,526,786	3,252,092	274,694	-	-	-	-
Bonds and notes	7,771,277	1,195,456	-	303,129	6,272,692	-	-
Amounts due to related entities	2,491,060	2,478,302	-	-	-	-	12,758
All other liabilities	1,369	-	-	-	-	-	1,369
<b>Total liabilities</b>	<b>13,790,492</b>	<b>6,925,850</b>	<b>274,694</b>	<b>303,129</b>	<b>6,272,692</b>	<b>14,127</b>	<b>-</b>

\$000	30/9/11					
	Total	Up to 3 Months	3 Months and up to 1 year	Over 1 Year and up to 2 Years	Over 2 Years	Non- Interest Sensitive
<b>Assets</b>						
Call balances due from financial institutions	58	58	-	-	-	-
Call balances due from related entities	16,089	16,089	-	-	-	-
Other amounts due from related entities	18,355,487	10,101,272	3,163,043	60,681	5,013,568	16,923
All other assets	8	-	-	-	-	8
<b>Total assets</b>	<b>18,371,642</b>	<b>10,117,419</b>	<b>3,163,043</b>	<b>60,681</b>	<b>5,013,568</b>	<b>16,931</b>
<b>Liabilities</b>						
Short term debt securities	8,095,112	5,932,879	2,162,233	-	-	-
Bonds and notes	7,695,519	1,620,460	1,000,810	60,681	5,013,568	-
Amounts due to related entities	2,560,174	2,547,933	-	-	-	12,241
All other liabilities	4,914	-	-	-	-	4,914
<b>Total liabilities</b>	<b>18,355,719</b>	<b>10,101,272</b>	<b>3,163,043</b>	<b>60,681</b>	<b>5,013,568</b>	<b>17,155</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

14. MATURITY PROFILE

The table below presents the Company's undiscounted cash flows by remaining contractual maturities as at balance sheet date.

The gross cash flows disclosed hereunder are contractual undiscounted cash flows and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future actions of the Company and its counterparties. Information on the management of liquidity risk is included in note 18.

\$000			30/9/12				
	Carrying amount	Gross cash inflows/ (outflows)	On Demand	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial assets							
Call balances due from other financial institutions	53	53	53	-	-	-	-
Call balances due from related entities	19,569	19,569	19,569	-	-	-	-
Other amounts due from related entities	13,790,687	14,386,807	-	2,972,797	1,383,123	7,757,875	2,273,012
<b>Total</b>	<b>13,810,309</b>	<b>14,406,429</b>	<b>19,622</b>	<b>2,972,797</b>	<b>1,383,123</b>	<b>7,757,875</b>	<b>2,273,012</b>
Financial liabilities							
Short term debt securities	(3,526,786)	(3,531,679)	-	(2,667,465)	(864,214)	-	-
Bonds and notes	(7,771,277)	(8,246,327)	-	(282,336)	(424,993)	(5,265,986)	(2,273,012)
Amounts due to related entities	(2,491,060)	(5,100,709)	-	(2,514,904)	(93,916)	(2,491,889)	-
Other financial liabilities	(479)	(479)	-	(479)	-	-	-
<b>Total</b>	<b>(13,789,602)</b>	<b>(16,879,194)</b>	<b>-</b>	<b>(5,465,184)</b>	<b>(1,383,123)</b>	<b>(7,757,875)</b>	<b>(2,273,012)</b>

\$000			30/9/11				
	Carrying amount	Gross cash inflows/ (outflows)	On Demand	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial assets							
Call balances due from other financial institutions	58	58	58	-	-	-	-
Call balances due from related entities	16,089	16,089	16,089	-	-	-	-
Other amounts due from related entities	18,355,487	19,513,540	-	5,474,903	5,197,336	5,589,587	3,251,714
<b>Total</b>	<b>18,371,634</b>	<b>19,529,687</b>	<b>16,147</b>	<b>5,474,903</b>	<b>5,197,336</b>	<b>5,589,587</b>	<b>3,251,714</b>
Financial liabilities							
Short term debt securities	(8,095,112)	(8,105,166)	-	(4,433,800)	(3,671,366)	-	-
Bonds and notes	(7,695,519)	(8,657,439)	-	(990,790)	(1,391,160)	(3,023,775)	(3,251,714)
Amounts due to related entities	(2,560,174)	(2,746,253)	-	(45,631)	(134,810)	(2,565,812)	-
Other financial liabilities	(4,008)	(4,008)	-	(4,008)	-	-	-
<b>Total</b>	<b>(18,354,813)</b>	<b>(19,512,866)</b>	<b>-</b>	<b>(5,474,229)</b>	<b>(5,197,336)</b>	<b>(5,589,587)</b>	<b>(3,251,714)</b>

15. IMPAIRED ASSETS

No provision has been made against the value of assets reported on the balance sheet. There is no incurred loss on the call balances due from other financial institutions, call balances due from related entities and other amounts due from related entities.

## BNZ International Funding Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

#### 16. SEGMENT INFORMATION

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The Company operates in New Zealand in one industry segment. Its primary business is funding. Financial information for the segment is available to the Board of Directors of the Company for the purpose of evaluating performance and resource allocation, and is the same information presented in these financial statements. All revenues of the Company are received from Bank of New Zealand.

Geographical revenue information is based on the location of the office in which the transactions were booked, and all revenues are derived in New Zealand.

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#### 17. CONTINGENT LIABILITIES AND COMMITMENTS

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The Company had no contingent liabilities or commitments as at 30 September 2012 (30 September 2011: nil).

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#### 18. RISK MANAGEMENT POLICIES

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The Board of Directors of the Company is committed to the management of risk and has identified the following risks:

##### Credit Risk

Credit risk is the potential risk of financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Company as they fall due.

The maximum exposure to credit risk arising from Call balances due from other financial institutions, Call balances due from related entities and Other amounts due from related entities is equal to the carrying amount of each class of receivable. The credit quality of these financial assets is deemed as excellent based on Bank of New Zealand's current credit rating. These balances represent 99.99% of the Company's credit exposures. Bank of New Zealand represents the only group of closely related counterparties to which the Company has a credit exposure which exceeds 10% of equity, with an exposure within the range of 69,643% to 115,378% of equity. Bank of New Zealand guarantees the obligations of the Company, acting through its London branch, in respect of all securities issued by the Company's London branch to wholesale investors.

There are no collateral or other credit enhancements obtained in respect of amounts due from related entities.

##### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. The Company takes an exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Exposure to interest rate risk arises in respect of funding through issuing commercial paper and medium term notes.

No sensitivity analysis has been performed as the interest rate risk has been mitigated by the on-lending agreement with Bank of New Zealand.

##### Currency risk

Currency risk results from exposures to changes in spot prices, forward prices and the volatility of currency rates. Currency risk arises from foreign currency balances and the trading of any foreign currency denominated product, such as foreign currency bonds and notes.

No sensitivity analysis has been performed as the currency risk has been mitigated by the on-lending agreement with Bank of New Zealand.

##### Liquidity risk

Liquidity risk arises from the mismatch in the maturity of financial assets and liabilities, plus their settlement characteristics. Maintaining adequate liquidity to meet the current and future payment obligations at a reasonable cost is a core objective of the Company.

All proceeds from commercial paper and medium term notes issued by the Company are on-lent to Bank of New Zealand, the Company's parent company, on terms and conditions which match the terms and conditions of the debt issue, and all relevant risks, including interest rate, currency and liquidity risks, are mitigated through the offsetting with Bank of New Zealand. Refer to Note 11 Related Entity Transactions for more information.

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#### 19. SUBSEQUENT EVENTS

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The Directors have approved a dividend of \$18,000,000 (\$180 per ordinary share) to be paid to Bank of New Zealand on 18 December 2012.

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## Independent Auditor's Report

### To the Shareholder of BNZ International Funding Limited

#### Report on the Financial Statements

We have audited the financial statements of BNZ International Funding Limited on pages 1 to 18, which comprise the balance sheet of BNZ International Funding Limited as at 30 September 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholder in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

#### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the company's preparation of the financial statements that give 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Ernst & Young provides other assurance related services to BNZ International Funding Limited. We have no other relationship with, or interest in BNZ International Funding Limited.

Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company.

#### Opinion

In our opinion, the financial statements on pages 1 to 18:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of BNZ International Funding Limited as at 30 September 2012 and the financial performance and cash flows for the year then ended.

#### Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by BNZ International Funding Limited as far as appears from our examination of those records.



14 December 2012  
Auckland

