BNZ INTERNATIONAL FUNDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

The Directors are pleased to present the financial statements for the year ended 30 September 2015.

For and on behalf of the Board of Directors

.... 14 December 2015
Director Date

L Liddell 14 December 2015
Director Date

BNZ International Funding Limited

INCOME STATEMENT
For the year ended 30 September 2015

	Note	30/9/15 $000	30/9/14 $000
Interest income	2, 10	**272,914**	258,053
Interest expense	2	**272,557**	257,856
Net interest income		**357**	197
Other operating income	3, 10	**8,812**	8,272
Total operating income		**9,169**	8,469
Operating expenses	4	**3,107**	3,587
Operating profit before income tax		**6,062**	4,882
Income tax expense	5	**1,697**	1,359
Net profit attributable to shareholder of BNZ International Funding Limited		**4,365**	3,523

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 2015

	30/9/15 $000	30/9/14 $000
Net profit attributable to shareholder of BNZ International Funding Limited	**4,365**	3,523
Other comprehensive income, net of taxation	**-**	-
Total comprehensive income attributable to shareholder of BNZ International Funding Limited	**4,365**	3,523

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

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BNZ International Funding Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2015

	Ordinary Capital $000	30/9/15 Retained profits $000	Total $000
Balance at beginning of year	100	8,834	8,934
Comprehensive income			
Net profit attributable to shareholder of BNZ International Funding Limited	-	4,365	4,365
Total other comprehensive income	-	-	-
Total comprehensive income	-	4,365	4,365
Ordinary dividend		8,000	8,000
Balance at end of year	100	5,199	5,299
		30/9/14	
Balance at beginning of year	100	5,311	5,411
Comprehensive income			
Net profit attributable to shareholder of BNZ International Funding Limited		3,523	3,523
Total other comprehensive income			
Total comprehensive income		3,523	3,523
Ordinary dividend			
Balance at end of year	100	8,834	8,934

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

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BNZ International Funding Limited

BALANCE SHEET
As at 30 September 2015

	Note	30/9/15 $000	30/9/14 $000
Assets			
Call balances due from other financial institutions		57	49
Call balances due from related entities	10	**5,537**	8,525
Other amounts due from related entities	10	**15,418,570**	13,779,063
Total assets		**15,424,164**	13,787,637
Liabilities			
Short term debt securities	6	**3,318,292**	3,344,902
Bonds and notes	7	**12,098,733**	10,432,273
Amounts due to related entities	10	**458**	317
Current tax liabilities		**1,112**	827
Other liabilities	8	**270**	384
Total liabilities		**15,418,865**	13,778,703
Net assets		**5,299**	8,934
Shareholder's equity			
Contributed equity	11	100	100
Retained profits		5,199	8,834
Total shareholder's equity		5,299	8,934

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 2015.

Director

Director

EY

BNZ International Funding Limited

CASH FLOW STATEMENT

For the year ended 30 September 2015

	30/9/15 $000	30/9/14 $000
Cash flows from operating activities		
Cash was provided from:		
Interest income	**273,784**	256,836
Other operating income	**9,162**	7,979
Cash was applied to:		
Interest expense	**(273,435)**	(256,674)
Operating expenses	**(3,107)**	(3,587)
Income tax payments	**(1,412)**	(1,376)
Net cash flows from operating activities before changes in operating assets and liabilities	**4,992**	3,178
Changes in operating assets and liabilities arising from cash flow movements		
Net movement in other liabilities*	**(446)**	1,094
Net movement in other assets	**-**	
Net change in operating assets and liabilities	**(446)**	1,094
Net cash flows from operating activities	**4,546**	4,272
Cash flows from financing activities		
Net movement in bonds and notes*	**1,733,208**	1,486,053
Net movement in short term debt securities*	**(27,709)**	(485,085)
Net movement in other related entity funding*	**(1,705,025)**	(1,002,112)
Ordinary dividend	**(8,000)**	
Net cash flows from financing activities	**(7,526)**	(1,144)
Net increase in cash and cash equivalents	**(2,980)**	3,128
Cash and cash equivalents at beginning of year	**8,574**	5,446
Cash and cash equivalents at end of year	**5,594**	8,574
Cash and cash equivalents at end of year comprised:		
Call balances due from other financial institutions	**57**	49
Call balances due from related entities	**5,537**	8,525
Total cash and equivalents	**5,594**	8,574

* 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 2015

	30/9/15 $000	30/9/14 $000
Reconciliation of net profit attributable to shareholder of BNZ International Funding Limited to net cash flows from operating activities		
Net profit attributable to shareholder of BNZ International Funding Limited	**4,365**	3,523
Add back non-cash items in net profit:		
Decrease / (increase) in accrued interest receivable	**870**	(1,216)
Deduct non-cash items in net profit:		
Decrease / (increase) in other operating income receivable	**350**	(293)
Increase / (decrease) in provision for tax	**285**	(17)
(Decrease) / increase in accrued interest payable	**(878)**	1,181
Deduct operating cash flows not included in profit		
Net change in operating assets and liabilities	**(446)**	1,094
Net cash flows from operating activities	**4,546**	4,272

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.

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BNZ International Funding Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

1. PRINCIPAL ACCOUNTING POLICIES

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 BR008377 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.

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.

Rounding of amounts

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

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 2013.

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 2014 and have been applied in preparing these financial statements:

- Annual Improvements to NZ IFRSs 2010-2012 Cycle and 2011-2013 Cycle issued in December 2013 and are effective for periods beginning on or after 1 July 2014. They include amendments to standards and the related basis for conclusions and guidance made during the IASB's Annual Improvement Process. Adoption of these standards has not resulted in any significant impact on the Banking Group's reported results or financial position.

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

- 2014 Omnibus Amendments to New Zealand International Reporting Standards including Financial Reporting Standard 44 New Zealand Additional Disclosures which is applicable for periods beginning on or after 1 April 2015. It requires for-profit entities to disclose the statutory basis or other reporting framework, if any, under which the financial statements have been prepared. The impact on the financial statements is not expected to be material.

- Disclosure Initiatives (Amendments to NZ IAS 1) Presentation of Financial Statements issued on 18 December 2014 and is applicable for annual periods beginning on or after 1 January 2016. These amendments have been issued as part of a project to improve presentation and disclosure requirements and:
  - clarify that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in NZ IFRS;
  - clarify that the list of line items specified by NZ IAS 1 for the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant;
  - clarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes.

  The impact on the financial statements is not expected to be significant.

- NZ IFRS 15 Revenue from Contracts with Customers is applicable for annual periods beginning on or after 1 January 2018. It establishes principles for reporting information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five step model to be applied to all contracts with customers. The Company is in the process of evaluating the potential impact of this standard.

Early adoption

New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") 9 - Financial Instruments
The Company elected to early adopt NZ IFRS 9 Financial Instruments (2014) ("NZ IFRS 9") from 1 October 2014 without restatement, in accordance with the transition requirements. NZ IFRS 9 was issued on 4 September 2014 and is applicable for accounting periods beginning on or after 1 January 2018. This standard sets out new requirements for classification and measurement for financial assets and liabilities. It replaces NZ IAS 39 Financial Instruments: Recognition and Measurement ("NZ IAS 39") and all previous versions of NZ IFRS 9.

The following changes to accounting policies due to application of NZ IFRS 9 have been applied to these financial statements.

Financial assets
The Company classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:
- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

With the adoption of NZ IFRS 9, for a financial asset the fair value option is only applied if it eliminates an accounting mismatch that would otherwise arise from measuring items on a different basis. Refer to page 8 for further information.

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1. PRINCIPAL ACCOUNTING POLICIES continued

Financial liabilities
Classification of financial liabilities remained unchanged for the Company. Financial liabilities continue to be measured at either amortised cost or FVTPL. The criteria for designating a financial liability at FVTPL by applying the fair value option also remains unchanged.

Classification and measurement change under NZ IFRS 9
The following table summarises the classification and measurement changes by balance sheet asset class to the Company's financial assets on 1 October 2014, the Company's date of initial application of NZ IFRS 9. There are no changes in the classification and measurement of financial liabilities of the Company.

Dollars in Thousands

Financial Asset	Note	Original Measuement Category under NZ IAS 39	New Measurement Category under NZ IFRS 9	As at 1/10/14 Original Carrying Amount Under NZ IAS 39	New Carrying Amount Under NZ IFRS 9
Call balances due from other financial institutions		Loans and receivables	Amortised cost	49	49
Call balances due from related entities	10	Loans and receivables	Amortised cost	8,525	8,525
Other amounts due from related entities	10	Fair value through profit and loss	Fair value through profit and loss	13,777,243	13,777,243
Other amounts due from related entities	10	Loans and receivables	Amortised cost	1,820	1,820

Uses of judgement, estimations and assumptions

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 and the disclosed amount of contingent liabilities. 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. Significant estimates and judgements are further described elsewhere in this note and Note 9 Categories of financial assets and financial liabilities.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

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).

Where a financial asset or liability is subsequently measured 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.

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

Classification for the year ended 30 September 2015

The Company classified its financial assets under NZ IFRS 9, into the following measurement categories:
- those to be measured at fair value (through profit or loss); and
- those to be measured at amortised cost.

Classification for the year ended 30 September 2014

The Company classified its financial assets under NZ IAS 39 as financial assets at fair value through profit or loss and loans and receivables. Items classified at fair value through profit or loss comprise financial assets designated at fair value through profit or loss on initial recognition. Refer to Note 9 Categories 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.

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 comprise Call balances due from other financial institutions, Call balances due from related entities, and Treasury funding fees recorded within Other amounts due from related entities. All of which have been classified as Loans and receivables for the purposes of NZ IAS 39, and as at amortised cost for the purpose of NZ IFRS 9. They 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. These assets are primarily short-term in nature. In such cases the carrying amount approximates their fair value.

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 9 Categories 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. These liabilities are primarily short-term in nature. In such cases the carrying amount approximates their fair value.

Under NZ IFRS 9, own credit risk provisions require an entity to present in other comprehensive income the fair value gains and losses attributable to changes in the entity's own credit risk for financial liabilities designed as measured at fair value through profit or loss unless this treatment would create or enlarge an accounting mismatch in the profit and loss. For the Company this treatment would create an accounting mismatch therefore all gains or losses on these financial liabilities (including the effects of changes in own credit risk) will continue to be presented in the profit and loss together with all gains and losses on financial assets designated at fair value through profit or loss.

1. PRINCIPAL ACCOUNTING POLICIES continued

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.

2. INTEREST	30/9/15 $000	30/9/14 $000
Interest income		
Related entities	272,914	258,053
Total interest income	272,914	258,053
Interest expense		
Short term debt securities	**9,623**	10,773
Bonds and notes	**262,934**	247,083
Total interest expense	**272,557**	257,856

3. OTHER OPERATING INCOME	**30/9/15 $000**	30/9/14 $000
Treasury services and funding fee	**8,812**	8,272
Gain/(loss) in the fair value of financial assets designated at fair value through profit or loss	**9,144**	29,678
Credit risk adjustments on financial assets designated at fair value through profit or loss	**(81,103)**	5,437
Gain/(loss)Loss in the fair value of financial liabilities designated at fair value through profit or loss	**(9,144)**	(29,678)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	**81,103**	(5,437)
Total other operating income	**8,812**	8,272

4. OPERATING EXPENSES	**30/9/15 $000**	30/9/14 $000
Legal expenses	**1,033**	1,751
Personnel expenses	**475**	510
Statutory audit services	**79**	79
Other assurance related services	**127**	199
Rating agency fees	**356**	341
Other professional fees	**165**	148
Consultancy fees	**44**	22
Other	**828**	537
Total operating expenses	**3,107**	3,587

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

5. INCOME TAX EXPENSE	30/9/15 $000	30/9/14 $000
Income tax charged to income statement		
Current tax	1,697	1,359
Total income tax charged to income statement	1,697	1,359
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	6,062	4,882
Prima facie income tax at 28%	1,697	1,367
Plus: Prior period adjustment	-	(8)
Tax expense on operating profit	1,697	1,359
Effective tax rate	28%	28%

6. SHORT TERM DEBT SECURITIES	30/9/15 $000	30/9/14 $000
Commercial paper	3,318,292	3,344,902
Total short term debt securities	3,318,292	3,344,902

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.

7. BONDS AND NOTES	30/9/15 $000	30/9/14 $000
Medium term notes	12,098,733	10,432,273
Total bonds and notes	12,098,733	10,432,273

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

7. BONDS AND NOTES continued

Details of the terms and conditions of these medium term notes as at 30 September 2015 were as follows:

Issue Currency	Coupon Rate %	Maturity Date	Face Value* Issue Currency Thousands	30/9/15 Fair Value NZ $000	30/9/14 Fair Value NZ $000
US Dollar	3 month USD LIBOR + 115bp	6 October 2014	50,000	-	64,176
Japanese Yen	1.464 (fixed)	3 December 2014	5,000,000	-	58,986
US Dollar	3 month USD LIBOR + 210bp	3 February 2015	150,000	-	193,814
Japanese Yen	1.02875 (fixed)	16 February 2015	1,500,000	-	17,651
Swiss Franc	2.000 (fixed)	18 February 2015	300,000	-	411,832
Japanese Yen	0.900 (fixed)	23 March 2015	800,000	-	9,406
Swiss Franc	3 month CHF LIBOR + 110bp	27 March 2015	175,000	-	236,774
Euro	2.375 (fixed)	7 May 2015 **	500,000	-	831,959
Japanese Yen	3 month JPY LIBOR + 55bp	26 May 2015	500,000	-	5,882
Japanese Yen	3 month JPY LIBOR + 52bp	29 June 2015	500,000	-	5,879
US Dollar	3 month USD LIBOR + 125bp	3 August 2015	5,000	-	6,463
Hong Kong Dollar	3 month HIBOR + 90bp	14 September 2015	240,000	-	39,831
Japanese Yen	0.400 (fixed)	18 September 2015	1,000,000	-	11,739
US Dollar	3 month USD LIBOR + 130bp	17 November 2015	10,000	**15,749**	12,963
British Pound	3 month GBP LIBOR + 70bp	29 January 2016	250,000	**597,630**	524,152
US Dollar	3 month USD LIBOR + 65bp	22 April 2016	80,000	**126,048**	103,044
US Dollar	1.0725 (fixed)	30 April 2016	20,000	**31,517**	25,668
Australian Dollar	6.250 (fixed)	14 June 2016 **	700,000	**804,471**	838,751
Hong Kong Dollar	3 month HIBOR + 51.6bp	12 July 2016	775,000	**156,831**	127,159
Euro	4.000 (fixed)	8 March 2017	750,000	**1,426,329**	1,353,456
Japanese Yen	1.150 (fixed)	23 March 2017	1,000,000	**13,350**	11,967
US Dollar	3 month USD LIBOR + 150bp	24 May 2017	15,000	**24,039**	19,737
Japanese Yen	3 month JPY LIBOR + 100bp	26 July 2017	11,400,000	**152,917**	137,246
Japanese Yen	1.260 (fixed)	26 July 2017	14,100,000	**189,579**	170,081
Euro	3.125 (fixed)	23 November 2017 **	1,000,000	**1,933,155**	1,818,252
Swiss Franc	1.500 (fixed)	22 January 2018	225,000	**380,835**	317,993
Hong Kong Dollar	1.375 (fixed)	26 January 2018	780,000	**157,361**	-
US Dollar	1.900 (fixed)	26 February 2018	600,000	**947,376**	-
Japanese Yen	3 month JPY LIBOR + 27bp	13 March 2018	2,000,000	**26,463**	23,557
US Dollar	3 month USD LIBOR + 80bp	23 April 2018	10,000	**15,833**	12,925
Euro	1.250 (fixed)	23 May 2018	500,000	**907,270**	833,844
US Dollar	3 month USD LIBOR + 45bp	20 August 2018	10,000	**15,648**	12,732
US Dollar	3 month USD LIBOR + 82bp	26 November 2018	10,000	**15,811**	12,908
Japanese Yen	0.4700 (fixed)	27 November 2018	2,000,000	**26,318**	23,322
US Dollar	3 month USD LIBOR + 75bp	13 December 2018	10,000	**15,489**	12,563
US Dollar	2.2825 (fixed)	13 December 2018	10,000	**15,769**	12,866
US Dollar	2.350 (fixed)	4 March 2019	1,000,000	**1,583,635**	1,277,864
US Dollar	3 month USD LIBOR + 32bp	20 March 2019	100,000	**155,164**	126,068
Swiss Franc	1.125 (fixed)	20 September 2019	275,000	**464,312**	382,644
US Dollar	3 month USD LIBOR + 72bp	24 October 2019	100,000	**157,258**	-
Euro	3 month EURIBOR + 50bp	2 December 2019	550,000	**970,889**	-
Hong Kong Dollar	3.480 (fixed)	8 September 2020	53,000	**11,417**	9,066
New Zealand dollar	6.590 (fixed)	30 September 2020	50,000	**55,603**	52,776
Swiss Franc	1.375 (fixed)	3 February 2021	200,000	**348,838**	284,277
Swiss Franc	0.250 (fixed)	24 June 2022	200,000	**322,784**	-
Australian Dollar	4.000 (fixed)	30 September 2025	30,000	**33,045**	
				12,098,733	10,432,273

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 held by the market.

** These medium term notes are guaranteed by the Trustee of the BNZ Covered Bond Trust ("the Covered Bond Trust"). Refer to Note 10 Related Entity Transactions for further information.

EY

8. OTHER LIABILITIES	30/9/15 $000	30/9/14 $000
Accrued expenses	270	384
Total other liabilities	270	384

9. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	30/9/15		
$000	Fair Value Through Profit or Loss	At Amortised Cost	Total Carrying Amount
Financial assets			
Call balances due from other financial institutions	-	57	57
Call balances due from related entities	-	5,537	5,537
Other amounts due from related entities	15,417,100	1,470	15,418,570
Total financial assets	15,417,100	7,064	15,424,164
Financial liabilities			
Short term debt securities	3,318,292	-	3,318,292
Bonds and notes	12,098,733	-	12,098,733
Amounts due to related entities	-	458	458
Total financial liabilities	15,417,025	458	15,417,483

	30/9/14		
$000	Classified at Fair Value Through Profit or Loss Designated on Initial Recognition	Loans and Receivables	Total Carrying Amount
Financial assets			
Call balances due from other financial institutions		49	49
Call balances due from related entities		8,525	8,525
Other amounts due from related entities	13,777,243	1,820	13,779,063
Total financial assets	13,777,243	10,394	13,787,637
Financial liabilities			
Short term debt securities	3,344,902		3,344,902
Bonds and notes	10,432,273		10,432,273
Amounts due to related entities		317	317
Total financial liabilities	13,777,175	317	13,777,492

EY

9. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	30/9/15			30/9/14		
	Carrying Amount $000	**Contractual Amount $000**	Higher/ (Lower) $000	Carrying Amount $000	Contractual Amount $000	Higher/ (Lower) $000
Short term debt securities	**3,318,292**	**3,315,282**	3,010	3,344,902	3,343,323	1,579
Bonds and notes	**12,098,733**	**11,672,186**	426,547	10,432,273	9,938,978	493,295
	15,417,025	**14,987,468**	429,557	13,777,175	13,282,301	494,874

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

	30/9/15 $000	30/9/14 $000
Bonds and notes		
Balance at beginning of year	119,586	114,149
Movement during the year	(81,103)	5,437
Balance at end of year	**38,483**	119,586

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 2015, 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 2014: 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.

Bonds and notes

Bonds and notes are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. The fair value includes a calculation of the Banking Group's own credit risk based on observable market data.

Other amounts due from related entities

Other amounts due from related entities are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

10. 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.

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 $4,293 million as at 30 September 2015 (30 September 2014: $5,467 million). Refer to Note 7 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 Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf, 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 2015, there were no loans made to or deposits received from key management personnel, their close family members, or their controlled entities (30 September 2014: nil). No compensation was paid by the Company to key management personnel during the year ended 30 September 2015 (30 September 2014: nil).

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

Receivables and Payables with Related Entities	30/9/15 $000	30/9/14 $000
Related entity receivables		
Bank of New Zealand	15,424,107	13,787,588
Related entities payables		
Bank of New Zealand	**112**	144
National Australia Bank Limited	346	173

Transactions with Related Entities	30/9/15 Revenue from Related Entities $000	30/9/15 Expenses to Related Entities $000	30/9/14 Revenue from Related Entities $000	30/9/14 Expenses to Related Entities $000
Bank of New Zealand	281,726	**1,568**	266,325	390
National Australia Bank Limited	-	738	-	285

Dividends paid to the shareholders are disclosed in note 11.

During the year ended 30 September 2015, the Company made a payment of $341,000 to Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf (30 September 2014: $244,000 to BNZ for provisional tax paid).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

11. CONTRIBUTED EQUITY	30/9/15	30/9/14
Number of shares in Thousands		
Ordinary shares, fully paid	100	100
Contributed Equity	100	100

Each of the 100,000 (30 September 2014: 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.

Dividends of $80 per share were paid on Shares for the year ended 30 September 2015 (year ended 30 September 2014: nil).

12. INTEREST RATE REPRICING SCHEDULE

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

			30/9/15			
$000	**Total**	Up to 3 Months	Over 3 Months and up to 1 year	Over 1 Year and up to 2 Years	Over 2 Years	Non-Interest Sensitive
Assets						
Call balances due from financial institutions	**57**	57	-	-	-	-
Call balances due from related entities	**5,537**	5,537	-	-	-	-
Other amounts due from related entities	**15,418,570**	5,764,340	835,988	1,629,258	7,187,439	1,545
Total assets	**15,424,164**	5,769,934	835,988	1,629,258	7,187,439	1,545
Liabilities						
Short term debt securities	**3,318,292**	3,318,292	-	-	-	-
Bonds and notes	**12,098,733**	2,446,048	835,988	1,629,258	7,187,439	-
Amounts due to related entities	**458**	-	-	-	-	458
All other liabilities	**1,382**	-	-	-	-	1,382
Total liabilities	**15,418,865**	5,764,340	835,988	1,629,258	7,187,439	1,840

$000			30/9/14			
Assets						
Call balances due from financial institutions	49	49	-	-	-	-
Call balances due from related entities	8,525	8,525	-	-	-	-
Other amounts due from related entities	13,779,063	4,635,006	1,729,645	864,419	6,548,104	1,889
Total assets	13,787,637	4,643,580	1,729,645	864,419	6,548,104	1,889
Liabilities						
Short term debt securities	3,344,902	2,897,844	447,058	-	-	-
Bonds and notes	10,432,273	1,737,163	1,282,587	864,419	6,548,104	-
Amounts due to related entities	317	-	-	-	-	317
All other liabilities	1,211	-	-	-	-	1,211
Total liabilities	13,778,703	4,635,007	1,729,645	864,419	6,548,104	1,528

13. 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 17.

			30/9/15				
$000	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	57	57	57	-	-	-	-
Call balances due from related entities	5,537	5,537	5,537	-	-	-	-
Other amounts due from related entities	15,418,570	15,675,832	-	1,867,953	3,508,232	9,610,889	688,758
Total	15,424,164	15,681,426	5,594	1,867,953	3,508,232	9,610,889	688,758
Financial liabilities							
Short term debt securities	(3,318,292)	(3,320,667)	-	(1,672,000)	(1,648,667)	-	-
Bonds and notes	(12,098,733)	(12,353,620)	-	(194,408)	(1,859,565)	(9,610,889)	(688,758)
Amounts due to related entities	(458)	(458)	-	(458)	-	-	-
Other financial liabilities	(270)	(270)	-	(270)	-	-	-
Total	(15,417,753)	(15,675,015)	-	(1,867,136)	(3,508,232)	(9,610,889)	(688,758)

$000			30/9/14				
Call balances due from other financial institutions	49	49	49	-	-	-	-
Call balances due from related entities	8,525	8,525	8,525	-	-	-	-
Other amounts due from related entities	13,779,063	14,065,485	-	1,984,385	3,577,615	8,167,031	336,454
Total	13,787,637	14,074,059	8,574	1,984,385	3,577,615	8,167,031	336,454
Financial liabilities							
Short term debt securities	(3,344,902)	(3,346,649)	-	(1,683,275)	(1,663,374)	-	-
Bonds and notes	(10,432,273)	(10,716,947)	-	(299,221)	(1,914,241)	(8,167,031)	(336,454)
Amounts due to related entities	(317)	(317)	-	(317)	-	-	-
Other financial liabilities	(384)	(384)	-	(384)	-	-	-
Total	(13,777,876)	(14,064,297)	-	(1,983,197)	(3,577,615)	(8,167,031)	(336,454)

14. IMPAIRED ASSETS

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

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15. SEGMENT INFORMATION

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.

16. CONTINGENT LIABILITIES AND COMMITMENTS

The Company had no contingent liabilities or commitments as at 30 September 2015 (30 September 2014: nil).

17. RISK MANAGEMENT POLICIES

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 100% 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 of 291,076% of equity (30 September 2014: 154,237%). 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. 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.

Chartered Accountants

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 2015, 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 207B(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 and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal 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
- present fairly, in all material respects, the financial position of BNZ International Funding Limited as at 30 September 2015 and its financial performance and cash flows for the year then ended.

Ernst & Young

14 December 2015
Auckland