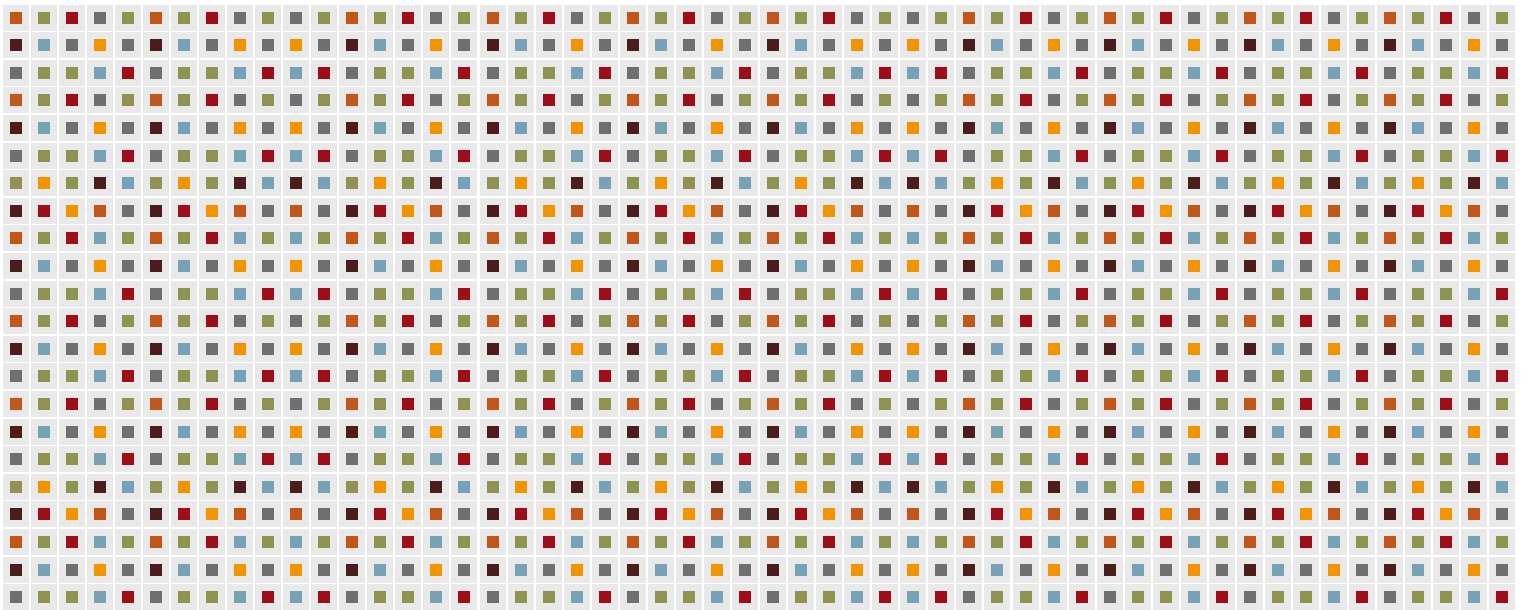


ANZ NATIONAL BANK LIMITED GROUP

GENERAL SHORT FORM DISCLOSURE STATEMENT



For the nine months ended 30 June 2009

Number 54 Issued August 2009

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

GENERAL SHORT FORM DISCLOSURE STATEMENT

FOR THE NINE MONTHS
ENDED 30 JUNE 2009



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GENERAL DISCLOSURES

This Short Form Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2008 ("the Order").

In this Disclosure Statement unless the context otherwise requires:

- a. "Banking Group" means ANZ National Bank Limited and all its subsidiaries; and
- b. any term or expression which is defined in, or in the manner prescribed by, the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2008 shall have the meaning given in or prescribed by that Order.

GENERAL MATTERS

The full name of the registered bank is ANZ National Bank Limited ("the Bank") and its address for service is Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington, New Zealand.

The Bank was incorporated under the Companies Act 1955 by virtue of the ANZ Banking Group (New Zealand) Act 1979 on 23 October 1979, and was re-registered under the Companies Act 1993 on 13 June 1997.

The immediate parent company of the Bank is ANZ Holdings (New Zealand) Limited (incorporated in New Zealand). The immediate parent company is owned by ANZ Funds Pty Limited and Australia and New Zealand Banking Group Limited (both incorporated in Australia).

The Ultimate Parent Bank is Australia and New Zealand Banking Group Limited ("ANZ"), which is incorporated in Australia, and its address for service is Level 14, 100 Queen Street, Melbourne, Australia.

The Bank is wholly owned by its immediate parent company and ultimately the Ultimate Parent Bank. The immediate parent company has the power under the Bank's Constitution to appoint any person as a Director of the Bank either to fill a casual vacancy or as an additional Director or to remove any person from the office of Director, from time to time by giving written notice to the Bank. No appointment of a new Director may occur unless the Reserve Bank of New Zealand ("RBNZ") confirms that it does not object to the appointment.

A New Zealand Branch ("NZ Branch") of the Australia and New Zealand Banking Group Limited was established on 5 January 2009. The full name of the NZ Branch is Australia and New Zealand Banking Group Limited New Zealand Branch and its address for service is Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington, New Zealand.

MATERIAL FINANCIAL SUPPORT

In accordance with the requirements issued by the Australian Prudential Regulation Authority ("APRA") pursuant to the Prudential Standards, Australia and New Zealand Banking Group Limited, as the Ultimate Parent Bank, may not provide material financial support to the Bank contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;

- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
 - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in cases approval) is required before entering exceptionally large exposures; and
 - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank.
- the level of exposure to the Bank not exceeding:
 - 50% on an individual exposure basis; and
 - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank) of the Ultimate Parent Bank's capital base.

Additionally, the Ultimate Parent Bank may not provide material financial support in breach of the Australian Banking Act (1959). This requires APRA to exercise its powers and functions for the protection of a bank's depositors and in the event of a bank becoming unable to meet its obligations or suspending payment, the assets of the bank in Australia shall be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The Ultimate Parent Bank has not provided material financial support to the Bank contrary to any of the above requirements.

GUARANTORS

The Bank has guarantees under the:

- a. New Zealand Deposit Guarantee Scheme ("Crown Retail Guarantee"); and
- b. New Zealand Wholesale Funding Guarantee Facility ("Crown Wholesale Guarantee").

This section provides a brief description of the Crown Retail Guarantee and Crown Wholesale Guarantee and also sets out from where further information may be obtained. As at the date of this General Short Form Disclosure Statement the only material obligations of the Bank that are guaranteed are the debt securities (as defined in the Retail Deed) guaranteed under the Crown Retail Guarantee and debt securities for which the Crown has issued a Guarantee Eligibility Certificate under the Crown Wholesale Guarantee (copies of which are available on the Treasury website www.treasury.govt.nz).

Crown Retail Guarantee

The Crown Retail Guarantee is provided under a Crown Deed of Guarantee (Registered Bank) entered into by the Bank and the Crown on 14 November 2008 and supplemented on 9 December 2008 ("Retail Deed").

GENERAL DISCLOSURES

(CONTINUED)

The Crown Retail Guarantee does not extend to subordinated debt securities issued by the Bank or debt securities that are issued by the Bank to Related Parties (as defined in the Retail Deed) of the Bank or to Financial Institutions.

As defined in the Retail Deed, "Financial Institutions" means a financial institution, as defined in section 2 of the Reserve Bank of New Zealand Act 1989, which carries on the business of borrowing and lending money, such as a life insurance company, a building society or a registered bank, and, without limiting the generality of the foregoing, includes:

- a. a "collective investment scheme" as that term is defined in section 157B of the Reserve Bank of New Zealand Act 1989 (including any "superannuation fund" or "superannuation scheme");
- b. an "insurer" as that term is defined in section 2 of the Insurance Companies (Rating and Inspections) Act 1994 or any other person carrying on the business of providing insurance cover (of whatever nature);
- c. a person carrying on business as a sharebroker, an investment adviser or a fund manager (to the extent that person is acting in that capacity); or
- d. a person who is a subsidiary of, or who is controlled by a financial institution within a), b), or c) above.

The Crown Retail Guarantee applies for a period commencing on 12 October 2008 and expiring on 12 October 2010 ("Guarantee Period").

Under the Crown Retail Guarantee the Crown absolutely and irrevocably guarantees:

- a. all obligations of the Bank to pay money to a creditor under Debt Securities ("Indebtedness") that become due and payable during the Guarantee Period; and
- b. if a Default Event, as defined in the Retail Deed, occurs during the Guarantee Period, all Indebtedness that exists on the date of that Default Event (whether or not that Indebtedness is due and payable during the Guarantee Period); and
- c. all interest accruing on the amounts referred to in b) after the occurrence of the Default Event.

The Crown undertakes that if the Bank does not pay an amount referred to in a), b) or c) above, the Crown will pay that amount to the creditor when it is due and payable (except to the extent that that Indebtedness or interest is not paid solely as a result of an administrative error or technical error and is subsequently paid within 7 days of its due date).

The Crown's obligation to pay any amount under the Crown Retail Guarantee is subject to the Crown receiving a notice of claim from the creditor in respect of the relevant Indebtedness and to the Crown satisfying itself as to the amount of the relevant Indebtedness and such other matters as the Crown reasonably considers appropriate in order to ascertain the extent of its liability under the Crown Retail Guarantee in respect of that Indebtedness. Notice may be served on the Crown in respect of the Crown Retail Guarantee by service on The Treasury at 1 The Terrace, Wellington.

The maximum liability of the Crown to each creditor under the Crown Retail Guarantee is one million New Zealand dollars (\$1,000,000). For this purpose amounts owed to creditors by the Bank under any debt security will be aggregated with other amounts owed to the same creditor by the Bank which are supported by the Crown Retail Guarantee.

Crown Wholesale Guarantee

The Crown Wholesale Guarantee is provided under the Crown Wholesale Funding Guarantee in respect of the Bank entered into by the Crown on 23 December 2008 and supplemented on 19 February 2009 ("Wholesale Deed").

Newly issued senior unsecured (except for covered bonds, which are also eligible) negotiable or transferable debt securities issued by the Bank, or issued by a subsidiary of the Bank and guaranteed by the Bank, may be eligible to benefit from the Crown Wholesale Guarantee. For the Crown Wholesale Guarantee to apply, the Bank will need to apply to the Crown for a Guarantee Eligibility Certificate (as defined in the Wholesale Deed) in respect of the issue of debt securities. The decision to issue a Guarantee Eligibility Certificate in respect of any issue of debt securities is at the sole and absolute discretion of the Crown.

If a Guarantee Eligibility Certificate is issued in respect of any debt securities, the Crown (subject to any special conditions specified in a Guarantee Eligibility Certificate and provided the debt securities are not varied, amended, waived, released, novated, supplemented, extended or restated in any respect without the prior written consent of the Crown) irrevocably:

- a. guarantees the payment by the Bank of any liability of the Bank to pay principal and interest (excluding any penalty interest or other amount only payable following a default) in respect of the debt securities for which the Crown has issued a Guarantee Eligibility Certificate; and
- b. undertakes that if the Bank does not pay any such liability on the date on which it becomes due and payable, the Crown shall, within five Business Days of a demand being made in accordance with the Wholesale Deed and following the expiry of any applicable grace period, pay such liability.

The Crown Wholesale Guarantee does not extend to debt securities held by a Related Party (as defined in the Wholesale Deed) of the Bank.

In the event of a claim made on the Crown, the Crown will only pay the interest and principal due to the holders of the debt security on the originally scheduled dates for payment of interest and principal.

The Crown's obligations in respect of any debt security terminate on the date falling 30 days after the earlier of:

- a. the scheduled maturity date for the debt security under which the guaranteed liability arises; and
- b. the date falling five years after the date of issue of the debt security under which the guaranteed liability arises, unless valid demand has been made on the Crown prior to that time.

Any demand on the Crown in respect of debt securities for which the Crown has issued a Guarantee Eligibility Certificate may only be made in the prescribed form by delivery by hand to the Minister of Finance, Parliament Buildings, Wellington, New Zealand or to one of the other addresses specified in the Wholesale Deed.

No Guarantee Eligibility Certificate shall be issued by the Crown in respect of any proposed debt security unless the aggregate amount of the proposed debt security and all of the Bank's outstanding liabilities to pay principal and interest in respect of the debt securities for which the Crown has issued a Guarantee Eligibility Certificate will not exceed the maximum amount as the Crown may from time to time determine and notify in writing to the Bank (which, at the date of this General Short Form Disclosure Statement, is set at \$6,500 million).

GENERAL DISCLOSURES

(CONTINUED)

Further information

Further information about the Crown Retail Guarantee and the Crown Wholesale Guarantee, including a copy of the Retail Deed and Wholesale Deed and any Guarantee Eligibility Certificate issued by the Crown in respect of the Bank, is available on The Treasury website at www.treasury.govt.nz.

Further information about the Crown, including a copy of its most recent audited financial statements can be obtained at www.treasury.govt.nz.

The Crown's credit ratings are available on the New Zealand Debt Management Office website www.nzdmo.govt.nz. The Crown's long-term foreign-currency and domestic debt credit ratings have not changed in the two years immediately before the date of this General Short Form Disclosure Statement. The Crown's credit ratings are:

Foreign Currency

| Rating Agency | Current Credit Rating | Qualification |
|---------------------------|-----------------------|------------------|
| Standard & Poor's | AA+ | Outlook Stable |
| Moody's Investors Service | Aaa | Outlook Stable |
| Fitch Ratings | AA+ | Outlook Negative |

Domestic Currency

| Rating Agency | Current Credit Rating | Qualification |
|---------------------------|-----------------------|------------------|
| Standard & Poor's | AAA | Outlook Stable |
| Moody's Investors Service | Aaa | Outlook Stable |
| Fitch Ratings | AAA | Outlook Negative |

Credit ratings are assigned to sovereigns and businesses by the international credit rating agencies. Credit ratings provide investors with an indication of the credit-worthiness of an entity in which they are considering investing. There are three major internationally recognised credit rating agencies: Standard & Poor's, Moody's Investors Service and Fitch Ratings. AAA is the highest rating level while a rating in the AA range is also seen as a very high level of credit-worthiness.

SUPPLEMENTAL DISCLOSURE STATEMENT

The most recent Supplemental Disclosure Statement for the nine months ended 30 June 2009 is available at no charge:

- on the Bank's websites at www.anznational.co.nz, www.anz.co.nz and www.nationalbank.co.nz;
- immediately if request is made at the Bank's head office, located at Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington, New Zealand; and
- within five working days of a request, if a request is made at any branch of the ANZ or National Bank of New Zealand.

The Bank's most recent Supplemental Disclosure Statement contains a copy of the bilateral netting agreement (refer Note 18) and a copy of the Crown Retail Guarantee and Crown Wholesale Guarantee.

DIRECTORATE

Since the authorisation date of the previous General Disclosure Statement on 22 May 2009, Shayne Cary Elliott was appointed as a non-executive Director of the Bank on 11 August 2009.

INCOME STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2009

| | Note | Consolidated | | |
|---|------|---|---|---|
| | | Unaudited 9 months to 30/06/2009 \$m | Unaudited 9 months to 30/06/2008 \$m | Audited Year to 30/09/2008 \$m |
| Interest income | | 5,819 | 7,310 | 9,857 |
| Interest expense | | 3,962 | 5,599 | 7,568 |
| Net interest income | | 1,857 | 1,711 | 2,289 |
| Net trading gains | | 191 | 216 | 271 |
| Other operating income | | 362 | 533 | 742 |
| Share of profit of equity accounted associates and jointly controlled entities | | 10 | 102 | 111 |
| Operating income | | 2,420 | 2,562 | 3,413 |
| Operating expenses | | 1,094 | 1,035 | 1,444 |
| Profit before provision for credit impairment and income tax | | 1,326 | 1,527 | 1,969 |
| Provision for credit impairment | 10 | 528 | 167 | 302 |
| Profit before income tax | | 798 | 1,360 | 1,667 |
| Income tax expense | 3 | 237 | 400 | 504 |
| Profit after income tax | | 561 | 960 | 1,163 |

The notes on pages 10 to 36 form part of and should be read in conjunction with these financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE NINE MONTHS ENDED 30 JUNE 2009

| | Consolidated | | |
|---|---|---|---|
| | Unaudited 9 months to 30/06/2009 \$m | Unaudited 9 months to 30/06/2008 \$m | Audited Year to 30/09/2008 \$m |
| Note | | | |
| AVAILABLE-FOR-SALE REVALUATION RESERVE: | | | |
| Valuation gain taken to equity | 3 | 36 | 26 |
| CASH FLOW HEDGING RESERVE: | | | |
| Valuation loss taken to equity | (6) | (26) | (47) |
| Transferred to income statement | (13) | (26) | (37) |
| Actuarial loss on defined benefit schemes | (38) | (12) | (33) |
| Income tax credit on items recognised directly in equity | 19 | 20 | 34 |
| Net expense recognised directly in equity | (35) | (8) | (57) |
| Profit after income tax | 561 | 960 | 1,163 |
| Total recognised income and expense for the period | 526 | 952 | 1,106 |

The notes on pages 10 to 36 form part of and should be read in conjunction with these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2009

| | Note | Consolidated | | |
|---|------|--------------------------------|--------------------------------|------------------------------|
| | | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| ASSETS | | | | |
| Liquid assets | 4 | 2,076 | 3,225 | 4,838 |
| Due from other financial institutions | 5 | 5,460 | 4,465 | 5,032 |
| Trading securities | 6 | 2,950 | 2,306 | 2,624 |
| Derivative financial instruments | | 12,185 | 4,337 | 7,533 |
| Available-for-sale assets | 7 | 767 | 106 | 109 |
| Net loans and advances | 8 | 93,169 | 95,296 | 97,679 |
| Shares in associates and jointly controlled entities | | 398 | 356 | 363 |
| Current tax assets | | 108 | 140 | 57 |
| Other assets | | 925 | 1,048 | 1,000 |
| Deferred tax assets | | 272 | 61 | 121 |
| Premises and equipment | | 258 | 242 | 242 |
| Goodwill and other intangible assets | | 3,328 | 3,314 | 3,317 |
| Total assets | | 121,896 | 114,896 | 122,915 |
| LIABILITIES | | | | |
| Due to other financial institutions | 11 | 5,064 | 2,619 | 3,312 |
| Deposits and other borrowings | 12 | 70,846 | 75,266 | 77,136 |
| Due to parent company | | 971 | 1,655 | 404 |
| Derivative financial instruments | | 11,668 | 4,253 | 6,710 |
| Payables and other liabilities | | 1,791 | 1,599 | 1,841 |
| Provisions | | 370 | 157 | 190 |
| Bonds and notes | 13 | 17,986 | 16,713 | 20,695 |
| Loan capital | 14 | 2,867 | 2,979 | 2,820 |
| Total liabilities | | 111,563 | 105,241 | 113,108 |
| Net assets | | 10,333 | 9,655 | 9,807 |
| EQUITY | | | | |
| Ordinary share capital | 15 | 6,943 | 5,943 | 5,943 |
| Reserves | 16 | 39 | 83 | 47 |
| Retained earnings | 16 | 3,351 | 3,629 | 3,817 |
| Total equity | | 10,333 | 9,655 | 9,807 |

The notes on pages 10 to 36 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2009

| | Note | Consolidated | | |
|--|-----------|---|---|---|
| | | Unaudited 9 months to 30/06/2009 \$m | Unaudited 9 months to 30/06/2008 \$m | Audited Year to 30/09/2008 \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Interest received | | 5,862 | 7,057 | 9,502 |
| Dividends received | | 1 | - | 4 |
| Fees and other income received | | 691 | 785 | 1,060 |
| Interest paid | | (3,974) | (5,194) | (6,959) |
| Operating expenses paid | | (1,032) | (947) | (1,313) |
| Income taxes paid | | (420) | (458) | (524) |
| Cash flows from operating profits before changes in operating assets and liabilities | | 1,128 | 1,243 | 1,770 |
| Net changes in operating assets and liabilities: | | | | |
| Increase in due from other financial institutions - term | | (1,835) | (1,448) | (630) |
| Increase in trading securities | | (293) | (328) | (617) |
| (Increase) decrease in derivative financial instruments | | (2,358) | 63 | 1,675 |
| Increase in available-for-sale assets | | (651) | (18) | (36) |
| Decrease (increase) in loans and advances | | 4,455 | (7,282) | (9,433) |
| (Increase) decrease in other assets | | (76) | (33) | 28 |
| Increase (decrease) in due to other financial institutions | | 1,923 | (550) | 26 |
| Increase in deposits | | 456 | 1,911 | 3,373 |
| (Decrease) increase in other borrowings | | (5,216) | 2,589 | 2,044 |
| Increase in payables and other liabilities | | 148 | 76 | 208 |
| Net cash flows used in operating activities | 22 | (2,319) | (3,777) | (1,592) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sale of premises and equipment | | 36 | 1 | 2 |
| Purchase of shares in associates and jointly controlled entities | | (25) | (46) | (48) |
| Purchase of intangible assets | | (20) | (23) | (29) |
| Purchase of premises and equipment | | (61) | (39) | (51) |
| Net cash flows used in investing activities | | (70) | (107) | (126) |

The notes on pages 10 to 36 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2009 (CONTINUED)

| | Consolidated | | |
|--|---|---|---|
| | Unaudited 9 months to 30/06/2009 \$m | Unaudited 9 months to 30/06/2008 \$m | Audited Year to 30/09/2008 \$m |
| Note | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bonds and notes | 2,113 | 4,815 | 9,263 |
| Redemptions of bonds and notes | (4,618) | (2,928) | (5,250) |
| Proceeds from loan capital | - | 835 | 835 |
| Redemptions of loan capital | - | - | (100) |
| Increase (decrease) in due to parent company | 567 | (1,120) | (2,371) |
| Proceeds from Share issue | 1,000 | - | - |
| Dividends paid | (1,000) | - | - |
| Net cash flows (used in) provided by financing activities | (1,938) | 1,602 | 2,377 |
| Net cash flows used in operating activities | (2,319) | (3,777) | (1,592) |
| Net cash flows used in investing activities | (70) | (107) | (126) |
| Net cash flows (used in) provided by financing activities | (1,938) | 1,602 | 2,377 |
| Net (decrease) increase in cash and cash equivalents | (4,327) | (2,282) | 659 |
| Cash and cash equivalents at beginning of the period | 7,789 | 7,130 | 7,130 |
| Cash and cash equivalents at end of the period ¹ | 3,462 | 4,848 | 7,789 |

1. A reconciliation of cash and cash equivalents to the Banking Group's core liquidity portfolio is included in Note 22 Notes to the Cash Flow Statements.

The notes on pages 10 to 36 form part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(i) Basis of preparation

These financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2008. These financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2008.

(ii) Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments, including in the case of fair value hedging, the fair value of any applicable underlying exposure,
- financial instruments held for trading,
- assets recognised as available-for-sale,
- financial instruments designated at fair value through profit or loss, and
- defined benefit scheme asset or liability.

(iii) Changes in accounting policies

There have been no changes in accounting policies since the authorisation date of the previous Disclosure Statement on 22 May 2009.

(iv) Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

(v) Consolidation

These financial statements consolidate the financial statements of ANZ National Bank Limited (the "Bank") and its subsidiaries (the "Banking Group").

(vi) Comparatives

To ensure consistency with the current period, comparative figures have been reclassified where appropriate.

2. RISK MANAGEMENT POLICIES

There has been no material change in the Banking Group's policies for managing risk, or material exposures to any new types of risk since the authorisation date of the previous Disclosure Statement on 22 May 2009.

3. INCOME TAX EXPENSE

| | Consolidated | | |
|-------------------------------|---|---|---|
| | Unaudited 9 months to 30/06/2009 \$m | Unaudited 9 months to 30/06/2008 \$m | Audited Year to 30/09/2008 \$m |
| Income tax expense | 237 | 400 | 504 |
| Effective tax rate (%) | 29.7% | 29.4% | 30.2% |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4. LIQUID ASSETS

| | Consolidated | | |
|--|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Cash and balances with central banks | 1,617 | 1,804 | 3,949 |
| Securities purchased under agreement to resell | - | 125 | - |
| Money at call | 402 | 1,178 | 807 |
| Bills receivable and remittances in transit | 57 | 118 | 82 |
| Total liquid assets | 2,076 | 3,225 | 4,838 |
| Included within liquid assets is the following balance: | | | |
| Overnight balances with central banks | 1,445 | 1,622 | 3,779 |

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

| | | | |
|--|--------------|--------------|--------------|
| Able to be withdrawn without prior notice | 79 | 1,115 | 437 |
| Securities purchased under agreement to resell | 340 | 220 | 304 |
| Securities purchased under agreement to resell with central banks | 41 | - | - |
| Security settlements | - | - | 1,328 |
| Certificates of deposit | 4,041 | 2,596 | 2,447 |
| Reserve Bank bills | 744 | - | - |
| Term loans and advances | 215 | 534 | 516 |
| Total due from other financial institutions | 5,460 | 4,465 | 5,032 |
| Included within due from other financial institutions is the following related party balance: | | | |
| Subsidiary of the Ultimate Parent Bank | - | - | 1,328 |

6. TRADING SECURITIES

| | | | |
|---|--------------|--------------|--------------|
| Government, Local Body stock and bonds | 665 | 124 | 252 |
| Certificates of deposit | 458 | 655 | 926 |
| Promissory notes | 69 | 160 | 39 |
| Other bank bonds | 1,631 | 1,280 | 1,331 |
| Other | 127 | 87 | 76 |
| Total trading securities | 2,950 | 2,306 | 2,624 |
| Included within trading securities is the following balance: | | | |
| Assets encumbered through repurchase agreements | 79 | 321 | 97 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

7. AVAILABLE-FOR-SALE ASSETS

| | Consolidated | | |
|--|-------------------------|-------------------------|-----------------------|
| | Unaudited 30/06/2009 | Unaudited 30/06/2008 | Audited 30/09/2008 |
| | \$m | \$m | \$m |
| Government, Local Body stock and bonds | 634 | 3 | 3 |
| Other debt securities | 59 | 28 | 41 |
| Equity securities | 74 | 75 | 65 |
| Total available-for-sale assets | 767 | 106 | 109 |

8. NET LOANS AND ADVANCES

| | | | |
|--|----------------|--------|--------|
| Overdrafts | 2,016 | 2,087 | 2,140 |
| Credit card outstandings | 1,410 | 1,414 | 1,434 |
| Term loans - housing | 49,095 | 53,197 | 53,350 |
| Term loans - non-housing | 40,348 | 38,724 | 40,583 |
| Finance lease receivables | 699 | 781 | 777 |
| Gross loans and advances | 93,568 | 96,203 | 98,284 |
| Provision for credit impairment (Note 10) | (1,034) | (563) | (666) |
| Unearned finance income | (279) | (343) | (346) |
| Fair value hedge adjustment | 886 | (60) | 353 |
| Deferred fee revenue and expenses | (52) | (56) | (55) |
| Capitalised brokerage/ mortgage origination fees | 80 | 115 | 109 |
| Total net loans and advances | 93,169 | 95,296 | 97,679 |

The Banking Group has entered into repurchase agreements for residential mortgage-backed securities with the RBNZ with a book value of \$1,806 million (30/06/2008 \$nil; 30/09/2008 \$nil). The underlying collateral accepted by the Reserve Bank under this transaction are mortgages to the value of \$2,250 million (30/06/2008 \$nil; 30/09/2008 \$nil).

On 27 February 2009, \$4,877 million of residential mortgage assets were sold to the Australia and New Zealand Banking Group Limited – New Zealand Branch. These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets. The Consolidated Group's financial statements have reduced as a result of transferring these assets.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9. IMPAIRED ASSETS, PAST DUE ASSETS AND OTHER ASSETS UNDER ADMINISTRATION

| | Consolidated | | | |
|---|-------------------------|-------------------------------|----------------------------|--------------|
| | Retail mortgages \$m | Other retail exposures \$m | Corporate exposures \$m | Total \$m |
| Individually impaired assets | | | | |
| Unaudited 30/06/2009 | | | | |
| Balance at beginning of the period | 83 | 30 | 214 | 327 |
| Transfers from productive | 371 | 188 | 470 | 1,029 |
| Transfers to productive | (18) | (20) | (18) | (56) |
| Assets realised or loans repaid | (137) | (26) | (98) | (261) |
| Write offs | (16) | (108) | (45) | (169) |
| Individually Impaired Assets balance at end of the period | 283 | 64 | 523 | 870 |
| Restructured items | 1 | - | - | 1 |
| Total impaired assets | 284 | 64 | 523 | 871 |
| Unaudited 30/06/2008 | | | | |
| Balance at beginning of the period | 7 | 20 | 88 | 115 |
| Transfers from productive | 61 | 98 | 100 | 259 |
| Transfers to productive | (1) | - | (9) | (10) |
| Assets realised or loans repaid | (7) | (4) | (59) | (70) |
| Write offs | (1) | (77) | (3) | (81) |
| Individually Impaired Assets balance at end of the period | 59 | 37 | 117 | 213 |
| Restructured items | - | - | - | - |
| Total impaired assets | 59 | 37 | 117 | 213 |
| Audited 30/09/2008 | | | | |
| Balance at beginning of the period | 7 | 20 | 88 | 115 |
| Transfers from productive | 103 | 122 | 228 | 453 |
| Transfers to productive | (2) | - | (8) | (10) |
| Assets realised or loans repaid | (18) | (14) | (86) | (118) |
| Write offs | (7) | (98) | (8) | (113) |
| Individually Impaired Assets balance at end of the period | 83 | 30 | 214 | 327 |
| Restructured items | - | - | - | - |
| Total impaired assets | 83 | 30 | 214 | 327 |

Restructured assets include impaired loans where concessionary terms and conditions have been formally granted because of the customer's financial difficulties and a loss is not expected to incur.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9. IMPAIRED ASSETS, PAST DUE ASSETS AND OTHER ASSETS UNDER ADMINISTRATION (CONTINUED)

| | Consolidated | | | Total \$m |
|--|----------------------------|----------------------------------|-------------------------------|--------------|
| | Retail mortgages \$m | Other retail exposures \$m | Corporate exposures \$m | |
| Unaudited 30/06/2009 | | | | |
| Balance at end of period | | | | |
| Past due assets (90 days past due assets) ¹ | 363 | 73 | 84 | 520 |
| Other assets under administration | - | - | 36 | 36 |
| Undrawn facilities with impaired customers | - | - | 32 | 32 |
| Interest not recognised on impaired assets | 18 | 5 | 17 | 40 |
| Unaudited 30/06/2008 | | | | |
| Balance at end of period | | | | |
| Past due assets (90 days past due assets) ¹ | 169 | 46 | 39 | 254 |
| Other assets under administration | - | - | 1 | 1 |
| Undrawn facilities with impaired customers | - | - | 8 | 8 |
| Interest not recognised on impaired assets | - | 2 | 4 | 6 |
| Audited 30/09/2008 | | | | |
| Balance at end of period | | | | |
| Past due assets (90 days past due assets) ¹ | 244 | 54 | 11 | 309 |
| Other assets under administration | - | - | 1 | 1 |
| Undrawn facilities with impaired customers | - | - | 6 | 6 |
| Interest not recognised on impaired assets | 6 | 2 | 10 | 18 |

There are no undrawn facilities with 90 day past due customers or customers within the other assets under administration category as at 30 June 2009 (30/06/2008 \$nil; 30/09/2008 \$nil).

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

10. PROVISION FOR CREDIT IMPAIRMENT

| | Consolidated | | | |
|--|-------------------------|-------------------------------|----------------------------|--------------|
| | Retail mortgages \$m | Other retail exposures \$m | Corporate exposures \$m | Total \$m |
| Unaudited 30/06/2009 | | | | |
| Collective provision | | | | |
| Balance at beginning of the period | 81 | 164 | 289 | 534 |
| Charge to income statement | 19 | (14) | 92 | 97 |
| Balance at end of the period | 100 | 150 | 381 | 631 |
| Individual provision (individually impaired assets) | | | | |
| Balance at beginning of the period | 28 | 10 | 94 | 132 |
| Charge to income statement | 99 | 116 | 216 | 431 |
| Recoveries of amounts previously written off | 1 | 13 | - | 14 |
| Bad debts written off | (16) | (108) | (45) | (169) |
| Discount unwind ¹ | - | - | (5) | (5) |
| Balance at end of the period | 112 | 31 | 260 | 403 |
| Total provision for credit impairment | 212 | 181 | 641 | 1,034 |
| Unaudited 30/06/2008 | | | | |
| Collective provision | | | | |
| Balance at beginning of the period | 58 | 130 | 234 | 422 |
| Charge to income statement | 5 | 16 | 40 | 61 |
| Other | - | - | 3 | 3 |
| Balance at end of the period | 63 | 146 | 277 | 486 |
| Individual provision (individually impaired assets) | | | | |
| Balance at beginning of the period | 4 | 13 | 27 | 44 |
| Charge to income statement | 12 | 76 | 18 | 106 |
| Recoveries of amounts previously written off | - | 12 | 1 | 13 |
| Bad debts written off | (1) | (77) | (3) | (81) |
| Discount unwind ¹ | - | - | (5) | (5) |
| Balance at end of the period | 15 | 24 | 38 | 77 |
| Total provision for credit impairment | 78 | 170 | 315 | 563 |
| Audited 30/09/2008 | | | | |
| Collective provision | | | | |
| Balance at beginning of the year | 58 | 130 | 234 | 422 |
| Charge to income statement | 23 | 34 | 55 | 112 |
| Balance at end of the year | 81 | 164 | 289 | 534 |
| Individual provision (individually impaired assets) | | | | |
| Balance at beginning of the year | 4 | 13 | 27 | 44 |
| Charge to income statement | 31 | 80 | 79 | 190 |
| Recoveries of amounts previously written off | - | 15 | 2 | 17 |
| Bad debts written off | (7) | (98) | (8) | (113) |
| Discount unwind ¹ | - | - | (6) | (6) |
| Balance at end of the year | 28 | 10 | 94 | 132 |
| Total provision for credit impairment | 109 | 174 | 383 | 666 |

1. The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cashflows discounted to its present value using the original effective interest rate for the asset. This discount unwinds over the period the asset is held as interest income.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

10. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)

| Provision movement analysis | Consolidated | | | Total \$m |
|--|----------------------------|----------------------------------|-------------------------------|--------------|
| | Retail mortgages \$m | Other retail exposures \$m | Corporate exposures \$m | |
| Unaudited 30/06/2009 | | | | |
| New and increased provisions | 103 | 131 | 221 | 455 |
| Provision releases | (3) | (2) | (5) | (10) |
| | 100 | 129 | 216 | 445 |
| Recoveries of amounts previously written off | (1) | (13) | - | (14) |
| Individual provision charge | 99 | 116 | 216 | 431 |
| Collective provision charge | 19 | (14) | 92 | 97 |
| Charge to income statement | 118 | 102 | 308 | 528 |
| Unaudited 30/06/2008 | | | | |
| New and increased provisions | 12 | 88 | 27 | 127 |
| Provision releases | - | - | (8) | (8) |
| | 12 | 88 | 19 | 119 |
| Recoveries of amounts previously written off | - | (12) | (1) | (13) |
| Individual provision charge | 12 | 76 | 18 | 106 |
| Collective provision charge | 5 | 16 | 40 | 61 |
| Charge to income statement | 17 | 92 | 58 | 167 |
| Audited 30/09/2008 | | | | |
| New and increased provisions | 31 | 95 | 97 | 223 |
| Provision releases | - | - | (16) | (16) |
| | 31 | 95 | 81 | 207 |
| Recoveries of amounts previously written off | - | (15) | (2) | (17) |
| Individual provision charge | 31 | 80 | 79 | 190 |
| Collective provision charge | 23 | 34 | 55 | 112 |
| Charge to income statement | 54 | 114 | 134 | 302 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. DUE TO OTHER FINANCIAL INSTITUTIONS

| | Consolidated | | |
|--|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Australia and New Zealand Banking Group Limited (Ultimate Parent Bank) | 2,462 | 672 | 1,002 |
| Securities sold under agreements to repurchase from other financial institutions | 79 | 321 | 97 |
| Securities sold under agreements to repurchase from central banks ¹ | 1,806 | - | - |
| Other financial institutions | 717 | 1,626 | 2,213 |
| Total due to other financial institutions | 5,064 | 2,619 | 3,312 |

Included within due to other financial institutions is the following balance:

| | | | |
|--|-------|-----|-------|
| Balances owing to the Ultimate Parent Bank by ANZ National (Int'l) Limited guaranteed by the Bank | 2,220 | 672 | 1,001 |
|--|-------|-----|-------|

Balances owing to the Ultimate Parent Bank are due within twelve months. Interest is paid at variable bank rates.

1. The Banking Group has entered into repurchase agreements for residential mortgage-backed securities with the RBNZ with a book value of \$1,806 million (30/06/2008 \$nil; 30/09/2008 \$nil). The underlying collateral accepted by the Reserve Bank under this transaction are mortgages to the value of \$2,250 million (30/06/2008 \$nil; 30/09/2008 \$nil). These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets therefore the Consolidated Group's financial statements do not change as a result of establishing these facilities. The net effect on the Consolidated Group is to reflect additional cash or liquid assets and a liability being Securities sold under agreements to repurchase from central banks (refer Note 24 for further details).

12. DEPOSITS AND OTHER BORROWINGS

| | Consolidated | | |
|---|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Amortised cost | | | |
| Certificates of deposit | 5,072 | 4,458 | 5,527 |
| Term deposits | 32,153 | 31,628 | 31,260 |
| Demand deposits bearing interest | 21,936 | 21,069 | 22,085 |
| Deposits not bearing interest | 4,424 | 3,943 | 3,928 |
| Secured debenture stock | 1,621 | 1,821 | 1,683 |
| Total deposits and other borrowings recognised at amortised cost | 65,206 | 62,919 | 64,483 |
| Fair value through the profit or loss | | | |
| Commercial paper | 5,640 | 12,347 | 12,653 |
| Total deposits and other borrowings recognised at fair value | 5,640 | 12,347 | 12,653 |
| Total deposits and other borrowings | 70,846 | 75,266 | 77,136 |

The Banking Group has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the period ended 30 June 2009 (30/06/2008 \$nil; 30/09/2008 \$nil). Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Banking Group. In the unlikely event that the Bank was put into liquidation or ceased to trade, secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12. DEPOSITS AND OTHER BORROWINGS (CONTINUED)

| | Consolidated | | |
|--|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Included within deposits and other borrowings are the following balances: | | | |
| Commercial paper issued by ANZ National (Int'l) Limited guaranteed by the Bank at amortised cost | 5,637 | 12,345 | 12,670 |
| UDC Finance Limited secured debentures | | | |
| Carrying value of total tangible assets | 1,921 | 2,107 | 2,032 |

Registered secured debenture stock is constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. The trust deed creates floating charges over all the assets, primarily loans and advances, of UDC Finance Limited.

13. BONDS AND NOTES

| | Consolidated | | |
|--|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Total bonds and notes | 17,986 | 16,713 | 20,695 |
| Included within bonds and notes are the following related party balances: | | | |
| Subsidiaries of the Australia and New Zealand Banking Group Limited | 2,508 | 1,174 | 2,538 |
| Bonds and notes issued by ANZ National (Int'l) Limited guaranteed by the Bank | 16,782 | 15,256 | 19,572 |

Bonds and notes are unsecured and rank equally with other unsecured liabilities of the Banking Group.

14. LOAN CAPITAL

| | Consolidated | | |
|---|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| AUD 207,450,000 term subordinated floating rate loan | 258 | 261 | 248 |
| AUD 265,740,000 perpetual subordinated floating rate loan | 330 | 334 | 317 |
| AUD 186,100,000 term subordinated floating rate loan | 231 | 234 | 222 |
| AUD 43,767,507 term subordinated floating rate loan | 54 | 55 | 52 |
| AUD 169,520,000 term subordinated floating rate loan | 210 | 213 | 202 |
| Term subordinated fixed rate bonds | 950 | 1,050 | 950 |
| Perpetual subordinated bond | 835 | 835 | 835 |
| Total loan capital issued | 2,868 | 2,982 | 2,826 |
| Less loan capital instruments held by the Banking Group | (1) | (3) | (6) |
| Total loan capital | 2,867 | 2,979 | 2,820 |
| Included within loan capital is the following related party balance: | | | |
| Australia and New Zealand Banking Group Limited (Ultimate Parent Bank) | 1,083 | 1,097 | 1,041 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14. LOAN CAPITAL (CONTINUED)

AUD 207,450,000 loan

This loan was drawn down on 31 August 2004 and has an ultimate maturity date of 31 August 2014. On 31 July 2009 the Bank elected to repay the loan on 31 August 2009. All interest is payable half yearly in arrears, with interest payments due 28 February and 31 August. Interest is based on BBSW + 0.40% p.a. up until, and including, 31 August 2009.

AUD 265,740,000 loan

This loan was drawn down on 27 September 1996 and has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

AUD 186,100,000 loan

This loan was drawn down on 19 April 2005 with an ultimate maturity date of 20 April 2015. The Bank may elect to repay the loan on 19 April each year commencing from 2010 through to 2015. All interest is payable half yearly in arrears, with interest payments due 19 April and 19 October. Interest is based on BBSW + 0.32% p.a. to 19 April 2010 and increases to BBSW + 0.82% p.a. thereafter.

AUD 43,767,507 loan

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

AUD 169,520,000 loan

This loan was drawn down on 17 September 2007 with an ultimate maturity date of 17 September 2017. The Bank may elect to repay the loan on 17 September each year commencing from 2012 through to 2016. All interest is payable half yearly in arrears, with interest payments due 17 March and 17 September. Interest is based on BBSW + 0.68% p.a. to 17 September 2012 and increases to BBSW + 1.18% p.a. thereafter.

NZD subordinated bonds

The terms and conditions of the term subordinated fixed rate bonds are as follows:

Term Subordinated fixed rate bonds

| <i>Issue date</i> | <i>Amount \$m</i> | <i>Coupon rate</i> | <i>Call date</i> | <i>Maturity date</i> |
|-------------------|-------------------|--------------------|-------------------|----------------------|
| 15 September 2006 | 350 | 7.16% | 15 September 2011 | 15 September 2016 |
| 2 March 2007 | 250 | 7.60% | 2 March 2012 | 2 March 2017 |
| 23 July 2007 | 350 | 8.23% | 23 July 2012 | 23 July 2017 |

As at 30 June 2009, these bonds carried an AA- rating by Standard & Poor's.

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

The terms and conditions of the perpetual subordinated bond are as follows:

Perpetual Subordinated Bond

| <i>Issue date</i> | <i>Amount \$m</i> | <i>Coupon rate</i> | <i>1st Call date</i> | <i>2nd Call date</i> |
|-------------------|-------------------|--------------------|----------------------|----------------------|
| 18 April 2008 | 835 | 9.66% | 18 April 2013 | 18 April 2018 |

The Bank may elect to redeem the bonds on 18 April 2013, 18 April 2018 or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, beginning on 18 October 2008, up to and including the Second Call Date and then quarterly thereafter. If the bonds are not called at the First Call Date, the coupon rate will reset to the five year interest swap rate plus 2.00%. Should the bonds not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 30 June 2009, these bonds carried an A+ rating by Standard and Poor's.

Interest may not necessarily be paid on each interest payment date as under the terms of the Bonds, ANZ National has a general right and in certain specified circumstances an obligation, to defer payment of interest on the Bonds.

All of the NZD subordinated bonds are listed on the NZX. The Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.4 and 10.5. Rule 10.4 relates to the provision of preliminary announcements of half yearly and annual results to the NZX. Rule 10.5 relates to preparing and providing a copy of half yearly and annual reports to the NZX. The Bank has been granted a waiver from these rules on the conditions that the Bank's quarterly General Disclosure Statement ("GDS") is available on the Bank's website, at any branch and at the NZX; that bondholders are advised by letter that copies of the GDS are available at the above locations; that all bondholders are notified on an ongoing basis, by way of a sentence included on the notification of interest payments, that the latest GDS is available for review at the above locations; and that a copy of the GDS is sent to the NZX on an ongoing basis.

Loan capital is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank.

All subordinated debt qualifies as Lower Level Tier Two Capital for capital adequacy purposes except for the perpetual subordinated debt which qualifies as Upper Level Tier Two Capital.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15. ORDINARY SHARE CAPITAL

| | Consolidated | | |
|---|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Ordinary share capital at beginning of the period | 5,943 | 5,943 | 5,943 |
| Ordinary share capital issued during the period | 1,000 | - | - |
| Ordinary share capital at end of the period | 6,943 | 5,943 | 5,943 |

Voting rights

At a meeting: on a show of hands or vote by voice every member who is present in person or by proxy or by representative shall have one vote.

On a poll: every member who is present in person or by proxy or by representative shall have one vote for every share of which such member is the holder.

16. RESERVES AND RETAINED EARNINGS

| | Consolidated | | |
|--|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Available-for-sale revaluation reserve | | | |
| Balance at beginning of the period | 23 | (1) | (1) |
| Valuation gain (loss) recognised after tax | 4 | 36 | 24 |
| Balance at end of the period | 27 | 35 | 23 |
| Cash flow hedging reserve | | | |
| Balance at beginning of the period | 24 | 84 | 84 |
| Valuation (loss) gain recognised after tax | (4) | (19) | (34) |
| Transferred to income statement | (8) | (17) | (26) |
| Balance at end of the period | 12 | 48 | 24 |
| Total reserves | 39 | 83 | 47 |
| Retained earnings | | | |
| Balance at beginning of the period | 3,817 | 2,677 | 2,677 |
| Profit after income tax | 561 | 960 | 1,163 |
| Total available for appropriation | 4,378 | 3,637 | 3,840 |
| Actuarial (loss) gain on defined benefit schemes after tax | (27) | (8) | (23) |
| Interim ordinary dividends paid | (1,000) | - | - |
| Balance at end of the period | 3,351 | 3,629 | 3,817 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY

CAPITAL ADEQUACY RATIOS UNDER THE BASEL II INTERNAL MODELS BASED APPROACH¹

| | Consolidated Unaudited 30/06/2009 | Consolidated Unaudited 30/06/2008 | Consolidated Unaudited 30/09/2008 |
|--|---|---|---|
| Tier One Capital | 9.13% | 7.71% | 8.13% |
| RBNZ minimum Tier One Capital ratio | 4.00% | 4.00% | 4.00% |
| Minimum Tier One Capital ratio under Crown Wholesale Guarantee | 6.00% | n/a | n/a |
| Total Capital | 12.93% | 11.39% | 11.72% |
| RBNZ minimum Total Capital ratio | 8.00% | 8.00% | 8.00% |

Capital of the Banking Group as at 30 June 2009 (Unaudited)

\$m

Tier One Capital

| | |
|-----------------------------------|-------|
| Ordinary share capital | 6,943 |
| Revenue and similar reserves | 2,829 |
| Current period's profit after tax | 561 |

Less deductions from Tier One Capital

| | |
|--|-------|
| - Goodwill | 3,265 |
| - Other intangible assets | 63 |
| - Defined benefit schemes surplus (net of tax) | - |
| - Equity investment in ING NZ | 244 |
| - Cash flow hedging reserve | 12 |
| - 50% of total expected loss to the extent greater than total eligible allowances for impairment | 94 |

Total Tier One Capital

6,655

Tier Two Capital - Upper Level Tier Two Capital

| | |
|-----------------------------|-------|
| Perpetual subordinated debt | 1,165 |
|-----------------------------|-------|

Tier Two Capital - Lower Level Tier Two Capital

| | |
|------------------------|-------|
| Term subordinated debt | 1,702 |
| | 2,867 |

Less deductions from Tier Two Capital

| | |
|--|----|
| - 50% of total expected loss to the extent greater than total eligible allowances for impairment | 94 |
|--|----|

Total Tier Two Capital

2,773

Total Capital

9,428

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

| Total required capital of the Banking Group as at 30 June 2009 (Unaudited) | Exposure at default \$m | Risk weighted exposure or implied risk weighted exposure \$m | Total capital requirement \$m |
|--|-------------------------|--|-------------------------------|
| Exposures subject to internal ratings based approach | 133,362 | 52,401 | 4,192 |
| Specialised lending exposures subject to slotting approach | 7,233 | 7,471 | 598 |
| Exposures subject to standardised approach | 263 | 238 | 19 |
| Equity exposures | 232 | 912 | 73 |
| Other exposures | 2,296 | 720 | 58 |
| Total credit risk | 143,386 | 61,742 | 4,940 |
| Operational risk | n/a | 5,638 | 451 |
| Market risk | n/a | 3,745 | 299 |
| Supervisory adjustment ¹ | n/a | 1,794 | 144 |
| Total capital requirement | 143,386 | 72,919 | 5,834 |

CAPITAL ADEQUACY RATIOS UNDER THE BASEL I APPROACH

| | Consolidated | | | Registered Bank | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Unaudited 30/06/2009 | Unaudited 30/06/2008 | Unaudited 30/09/2008 | Unaudited 30/06/2009 | Unaudited 30/06/2008 | Unaudited 30/09/2008 |
| Tier One Capital | 8.44% | 7.76% | 7.75% | 8.35% | 7.52% | 7.65% |
| Total Capital | 12.02% | 11.56% | 11.24% | 11.88% | 10.58% | 11.09% |
| Total risk-weighted exposures | 79,981 | 78,457 | 80,717 | 78,106 | 76,385 | 78,860 |
| RBNZ minimum ratios: | | | | | | |
| Tier One Capital | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Total Capital | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |

Basel I capital adequacy in respect of the Banking Group and Registered Bank has been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' (BS2) dated March 2008.

IMPLEMENTATION OF THE ADVANCED INTERNAL RATINGS BASED APPROACH TO CREDIT RISK MEASUREMENT

The Banking Group adheres to the standards of risk grading and risk quantification as set out for Internal Ratings Based ("IRB") banks in the RBNZ document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008 to measure capital requirements.

Under this IRB Framework, banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

Probability of Default ("PD") – an estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring. For Retail Mortgage exposures the Banking Group is required to adopt the RBNZ prescribed exposure weighted minimum PD of 1.25%.

Exposure at Default ("EAD") – the expected facility exposure at default, and

Loss Given Default ("LGD") – an estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For Retail Mortgage exposures the Bank is required to apply the downturn LGDs according to LVR band as set out in BS2B. For Rural Banking exposures the Banking Group is required to adopt RBNZ prescribed downturn LGDs which are more conservative than internal estimates.

For exposures classified under Specialised Lending, the Banking Group uses slotting tables supplied by the RBNZ rather than internal estimates.

The exceptions to IRB treatment are five minor portfolios where, due to systems constraints or other reasons, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document entitled 'Capital Adequacy Framework (Standardised Approach)' (BS2A).

Refer to the Banking Group's 31 March 2009 General Disclosure Statement for a more detailed description of the Banking Group's implementation of the IRB approach.

¹ The supervisory adjustment includes an adjustment of 15% of risk-weighted retail mortgages and an adjustment, if required, in order to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements, in accordance with the Bank's Conditions of Registration. No adjustment was required to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

CREDIT RISK EXPOSURES SUBJECT TO THE INTERNAL RATINGS BASED APPROACH

The following tables analyse the capital requirements under the internal rating based approach exposures by asset class:

| Consolidated as at 30/06/2009 (Unaudited) | | | | | | |
|--|---|----------------------------|---|------------------------------------|--|----------------------------------|
| | Total exposure or principal amount \$m | Exposure at default \$m | Exposure-weighted LGD used for the capital calculation % | Exposure-weighted risk weight % | Risk weighted exposure ² \$m | Total capital requirement \$m |
| On-balance sheet exposures | | | | | | |
| Corporate | 36,335 | 36,331 | 37 | 59 | 22,841 | 1,827 |
| Sovereign | 3,059 | 3,022 | 5 | 1 | 21 | 2 |
| Bank | 6,325 | 6,014 | 63 | 13 | 800 | 64 |
| Retail mortgages | 45,437 | 45,436 | 21 | 23 | 11,175 | 894 |
| Other retail | 5,267 | 5,267 | 52 | 52 | 2,911 | 233 |
| Total on-balance sheet exposures | 96,423 | 96,070 | 31 | 37 | 37,748 | 3,020 |
| Off-balance sheet exposures | | | | | | |
| Corporate | 14,623 | 11,921 | 48 | 57 | 7,095 | 568 |
| Sovereign | 13 | 13 | 5 | 1 | - | - |
| Bank | 831 | 744 | 48 | 19 | 149 | 12 |
| Retail mortgages | 5,643 | 5,347 | 20 | 26 | 1,502 | 120 |
| Other retail | 5,103 | 5,288 | 61 | 32 | 1,777 | 142 |
| Total off-balance sheet exposures | 26,213 | 23,313 | 45 | 43 | 10,523 | 842 |
| Market related contracts | | | | | | |
| Corporate | 63,295 | 2,627 | 57 | 56 | 1,546 | 124 |
| Sovereign | 5,988 | 387 | 5 | 1 | 5 | - |
| Bank | 507,723 | 10,965 | 65 | 22 | 2,579 | 206 |
| Total market related contracts | 577,006 | 13,979 | 62 | 28 | 4,130 | 330 |
| Total credit risk exposures subject to the internal ratings based approach | 699,642 | 133,362 | 37 | 37 | 52,401 | 4,192 |

2. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

| Consolidated as at 30/06/2009 (Unaudited) | | | | | | |
|--|--------------------------|-------------------------|--|---------------------------------|---|-------------------------------|
| | Probability of default % | Exposure at default \$m | Exposure-weighted LGD used for the capital calculation % | Exposure-weighted risk weight % | Risk weighted exposure ² \$m | Total capital requirement \$m |
| Corporate | | | | | | |
| CCR rating | | | | | | |
| 0 - 2 | 0.05% | 5,599 | 60 | 25 | 1,470 | 118 |
| 3 - 4 | 0.32% | 22,567 | 38 | 39 | 9,397 | 752 |
| 5 | 1.01% | 11,349 | 38 | 69 | 8,343 | 667 |
| 6 | 2.35% | 7,223 | 38 | 88 | 6,746 | 540 |
| 7 - 8 | 7.58% | 3,509 | 42 | 134 | 4,993 | 399 |
| Default | 100.00% | 632 | 48 | 80 | 533 | 43 |
| Total corporate credit risk exposures | 2.47% | 50,879 | 41 | 58 | 31,482 | 2,519 |
| Sovereign | | | | | | |
| CCR rating | | | | | | |
| 0 | 0.01% | 3,422 | 5 | 1 | 26 | 2 |
| 1 | n/a | - | - | - | - | - |
| 2 | n/a | - | - | - | - | - |
| 3 | n/a | - | - | - | - | - |
| 4 - 8 | n/a | - | - | - | - | - |
| Default | n/a | - | - | - | - | - |
| Total sovereign credit risk exposures | 0.01% | 3,422 | 5 | 1 | 26 | 2 |
| Bank | | | | | | |
| CCR rating | | | | | | |
| 0 | 0.01% | 13,920 | 65 | 18 | 2,628 | 210 |
| 1 | 0.02% | 2,953 | 61 | 21 | 645 | 52 |
| 2 - 4 | 0.08% | 759 | 49 | 26 | 207 | 16 |
| 5 - 6 | 1.02% | 40 | 65 | 107 | 45 | 4 |
| 7 - 8 | 5.49% | 2 | 65 | 199 | 3 | - |
| Default | 100.00% | 49 | 65 | - | - | - |
| Total bank credit risk exposures | 0.29% | 17,723 | 64 | 19 | 3,528 | 282 |
| Retail mortgages | | | | | | |
| CCR rating | | | | | | |
| 0 - 3 | 0.22% | 13,740 | 21 | 9 | 1,349 | 108 |
| 4 | 0.38% | 18,990 | 20 | 13 | 2,526 | 202 |
| 5 | 0.99% | 9,661 | 22 | 27 | 2,722 | 218 |
| 6 | 2.33% | 4,343 | 23 | 49 | 2,236 | 179 |
| 7 - 8 | 10.04% | 3,241 | 24 | 97 | 3,345 | 267 |
| Default | 100.00% | 808 | 29 | 58 | 499 | 40 |
| Total residential mortgage credit risk exposures | 2.82% | 50,783 | 21 | 24 | 12,677 | 1,014 |
| Other retail | | | | | | |
| CCR rating | | | | | | |
| 0 - 2 | 0.10% | 1,223 | 80 | 20 | 265 | 21 |
| 3 - 4 | 0.27% | 4,442 | 55 | 24 | 1,138 | 91 |
| 5 | 1.13% | 2,512 | 52 | 55 | 1,455 | 117 |
| 6 | 2.05% | 1,600 | 51 | 66 | 1,112 | 89 |
| 7 - 8 | 12.10% | 615 | 54 | 93 | 603 | 48 |
| Default | 100.00% | 163 | 55 | 67 | 115 | 9 |
| Total other retail credit risk exposures | 2.95% | 10,555 | 57 | 42 | 4,688 | 375 |

Credit risk exposures subject to the internal ratings based approach have been derived in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008 and other relevant correspondence from the RBNZ setting out prescribed credit risk estimates.

2. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

SPECIALISED LENDING SUBJECT TO THE SLOTTING APPROACH

| | Consolidated as at 30/06/2009 (Unaudited) | | | |
|---|---|-------------|-------------------------------------|---------------------------|
| | Exposure amount | Risk weight | Risk weighted exposure ² | Total capital requirement |
| | \$m | % | \$m | \$m |
| On-balance sheet exposures³ | | | | |
| Strong | 1,632 | 70 | 1,211 | 97 |
| Good | 2,305 | 90 | 2,199 | 176 |
| Satisfactory | 2,128 | 115 | 2,595 | 208 |
| Weak | 279 | 250 | 739 | 59 |
| Default | 156 | - | - | - |
| Total on-balance sheet exposures subject to the slotting approach | 6,500 | 98 | 6,744 | 540 |

| | Exposure amount | Exposure at default | Average risk weight | Risk weighted exposure ² | Total capital requirement |
|--|-----------------|---------------------|---------------------|-------------------------------------|---------------------------|
| | \$m | \$m | % | \$m | \$m |
| Off-balance sheet exposures | | | | | |
| Undrawn commitments and other off balance sheet exposures | 675 | 604 | 93 | 593 | 47 |
| Market related contracts | 2,332 | 129 | 98 | 134 | 11 |
| Total off-balance sheet exposures subject to the slotting approach | 3,007 | 733 | 94 | 727 | 58 |

Specialised lending subject to the slotting approach have been derived in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008.

CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH

| | Consolidated as at 30/06/2009 (Unaudited) | | | |
|---|---|-------------|-------------------------------------|---------------------------|
| | Exposure amount | Risk weight | Risk weighted exposure ² | Total capital requirement |
| | \$m | % | \$m | \$m |
| On-balance sheet exposures | | | | |
| Corporates | 54 | 100 | 57 | 4 |
| Residential mortgages | 55 | 38 | 22 | 2 |
| Default | 1 | 132 | 1 | - |
| Total on-balance sheet exposures subject to the standardised approach | 110 | 69 | 80 | 6 |

| | Exposure amount | Average credit conversion factor | Credit equivalent amount | Average risk weight | Risk weighted exposure ² | Total capital requirement |
|---|-----------------|----------------------------------|--------------------------|---------------------|-------------------------------------|---------------------------|
| | \$m | % | \$m | % | \$m | \$m |
| Off-balance sheet exposures | | | | | | |
| Undrawn commitments and other off balance sheet exposures | 434 | 35 | 153 | 97 | 158 | 13 |

Credit risk exposures subject to the standardised approach have been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Standardised Approach)' (BS2A) dated November 2007.

2. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

3. The supervisory categories of Specialised Lending above are associated with a specific risk-weight. These categories broadly correspond to the following external credit assessments using the Standard & Poor's rating scale: Strong BBB- or better, Good BB+ or BB, Satisfactory BB- or B+ and Weak B to C-.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

EQUITY EXPOSURES

| Consolidated as at 30/06/2009 (Unaudited) | | | | |
|---|------------------|--|----------------------------------|----|
| Exposure amount \$m | Risk weight % | Risk weighted exposure ² \$m | Total capital requirement \$m | |
| All other equity holdings (not deducted from capital) | 232 | 371 | 912 | 73 |

Equity exposures have been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008.

OTHER EXPOSURES

| Consolidated as at 30/06/2009 (Unaudited) | | | | |
|---|------------------|--|----------------------------------|----|
| Exposure amount \$m | Risk weight % | Risk weighted exposure ² \$m | Total capital requirement \$m | |
| Cash and gold bullion | 172 | - | - | - |
| New Zealand dollar denominated claims on the Crown and the RBNZ | 1,445 | - | - | - |
| Other assets | 679 | 100 | 720 | 58 |
| Total other IRB credit risk exposures | 2,296 | 30 | 720 | 58 |

Other exposures have been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008.

A risk weight of 100% applies to premises and equipment and all other exposures not otherwise defined in the BS2B document, except for cash, gold, New Zealand dollar denominated claims on the Crown and the RBNZ, which receive a 0% risk weight.

OPERATIONAL RISK

| | Implied risk weighted exposure \$m | Total operational risk capital requirement \$m |
|--|---------------------------------------|---|
| Operational risk capital requirement as at 30 June 2009 (Unaudited) | | |
| Advanced Measurement Approach for operational risk | 5,638 | 451 |

The operational risk capital requirement has been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008.

2. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

MARKET RISK

| | Implied risk weighted exposure \$m | Aggregate capital charge \$m |
|---|---|------------------------------------|
| Market risk capital requirement as at 30 June 2009 (Unaudited) | | |
| Interest rate risk | 3,646 | 292 |
| Foreign currency risk | 18 | 1 |
| Equity risk | 81 | 6 |
| | 3,745 | 299 |

The market risk capital requirement has been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008.

CREDIT RISK MITIGATION

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. Collateral security in the form of real property or a security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance in the form of housing loans is generally secured against real estate while short term revolving consumer credit is generally unsecured.

As at 30 June 2009, under the IRB approach, the Banking Group had \$1,031m of Corporate exposures covered by guarantees and \$8m of Corporate exposures covered by credit derivatives.

RETAIL MORTGAGES BY LOAN-TO-VALUATION RATIO

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

| LVR Range | Exposure amount \$m |
|-----------|---------------------------|
| 0% - 59% | 21,952 |
| 60% - 69% | 7,388 |
| 70% - 79% | 9,023 |
| 80% - 89% | 5,600 |
| Over 90% | 4,967 |
| | 48,930 |

PILLAR II CAPITAL FOR OTHER MATERIAL RISKS

| | Total capital requirement | | |
|--|--------------------------------|--------------------------------|--------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Unaudited 30/09/2008 \$m |
| Internal capital allocation for other material risks | 146 | 154 | 145 |

The internal capital allocation for other material risks has been derived in accordance with the Bank's Conditions of Registration. The internal capital allocation for the Banking Group's other material risks comprised premises and equipment risk and capitalised origination fees risk.

Other material risks outside of the credit, operational and market risks that the Banking Group measures and manages are generally already deducted from Tier One capital. As a result, the Banking Group has not included capital for these risks in the internal capital allocation for other material risks.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk to individual counterparties

The number of individual counterparties other than banks or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposure equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, on the basis of limits:

| | Consolidated | | | | | |
|----------------------|--|-------------------------|--|-------------------------|--|-------------------------|
| | Unaudited 30/06/2009 Number of Counterparties | | Unaudited 30/06/2008 Number of Counterparties | | Audited 30/09/2008 Number of Counterparties | |
| | As at | Peak for the quarter | As at | Peak for the quarter | As at | Peak for the quarter |
| 10% to 20% of equity | 1 | 1 | 1 | 1 | 1 | 1 |

The number of individual counterparties disclosed within the various equity ranges is based on counterparty limits rather than actual exposures outstanding. No account is taken of security and/or guarantees which the Banking Group may hold in respect of the various counterparty limits.

The amount and percentage of quarter end credit exposures to individual counterparties other than banks or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end credit exposure equals or exceeds 10% of equity (as at the end of the quarter), by credit rating:

| | Unaudited 30/06/2009 | | Unaudited 30/06/2008 | | Audited 30/09/2008 | |
|---|----------------------|----------------------------------|----------------------|----------------------------------|--------------------|----------------------------------|
| | Amount \$m | % of Total Credit Exposure | Amount \$m | % of Total Credit Exposure | Amount \$m | % of Total Credit Exposure |
| As at | | | | | | |
| Investment grade credit rating ¹ | 1,306 | 100.0% | 1,926 | 100.0% | 1,329 | 100.0% |

Concentrations of credit risk to bank counterparties

The number of bank counterparties or groups of closely related counterparties of which a bank is the parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposure equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, on the basis of actual exposures:

| | Consolidated | | | | | |
|----------------------|--|-------------------------|--|-------------------------|--|-------------------------|
| | Unaudited 30/06/2009 Number of Counterparties | | Unaudited 30/06/2008 Number of Counterparties | | Audited 30/09/2008 Number of Counterparties | |
| | As at | Peak for the quarter | As at | Peak for the quarter | As at | Peak for the quarter |
| 10% to 20% of equity | - | 1 | 2 | 3 | 1 | 2 |
| 20% to 30% of equity | 2 | 2 | - | - | 1 | 1 |
| 30% to 40% of equity | - | - | - | - | - | - |

The amount and percentage of quarter end credit exposures to bank counterparties or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end credit exposures equals or exceeds 10% of equity (as at the end of the quarter), by credit rating:

| | Unaudited 30/06/2009 | | Unaudited 30/06/2008 | | Audited 30/09/2008 | |
|---|----------------------|----------------------------------|----------------------|----------------------------------|--------------------|----------------------------------|
| | Amount \$m | % of Total Credit Exposure | Amount \$m | % of Total Credit Exposure | Amount \$m | % of Total Credit Exposure |
| As at | | | | | | |
| Investment grade credit rating ¹ | 4,872 | 100.0% | 2,926 | 100.0% | 3,416 | 100.0% |

The number of individual counterparties disclosed within the various equity ranges and the total exposure as at the end of the quarter are gross exposures. No account is taken of collateral, security and/or netting agreements which the Banking Group may hold in respect of the various counterparty exposures. The peak number is calculated for each individual counterparty and the peak for all counterparties may not have occurred on the same day.

1. All of the individual and bank counterparties included in the above tables have an investment grade credit rating. An investment grade credit rating means a credit rating of BBB or Baa3 or above, or its equivalent. In the case of a group of closely related counterparties, the credit rating applicable is that of the entity heading the group of closely related counterparties. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars, or to an entity's long term senior unsecured foreign currency obligations.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Concentrations of credit risk to connected persons

Credit exposures to connected persons reported in the table below have been calculated partially on a bilateral net basis, and partially on a gross basis. With effect from 11 August 2008, netting has occurred in respect of certain transactions which are the subject of a bilateral netting agreement disclosed in the Bank's most recent Supplemental Disclosure Statement for the period ended 30 June 2009. There is a limit of 125% of the Banking Group Tier One Capital in respect of the gross amount of aggregate credit exposure to connected persons that can be netted off in determining the net exposure.

| | Consolidated | | | | | |
|--|----------------------|--------------------------|----------------------|--------------------------|--------------------|--------------------------|
| | Unaudited 30/06/2009 | | Unaudited 30/06/2008 | | Audited 30/09/2008 | |
| | Amount \$m | % of Tier One Capital | Amount \$m | % of Tier One Capital | Amount \$m | % of Tier One Capital |
| Aggregate at end of period ⁴ | | | | | | |
| Other connected persons (on gross basis, before netting) ² | 4,174 | 62.7% | 2,947 | 49.6% | 3,011 | 49.1% |
| Other connected persons (amount netted off) ² | 3,023 | 45.4% | n/a | n/a | 2,187 | 35.6% |
| Other connected persons (on partial bilateral net basis) ² | 1,151 | 17.3% | n/a | n/a | 824 | 13.5% |
| Non-bank connected persons ³ | - | 0.0% | - | 0.0% | - | 0.0% |
| Peak end-of-day for the quarter ⁴ | | | | | | |
| Other connected persons (on gross basis, before netting) | 5,514 | 82.9% | 3,455 | 58.1% | 4,250 | 69.3% |
| Other connected persons (amount netted off) | 3,154 | 47.4% | n/a | n/a | 2,889 | 47.1% |
| Other connected persons (on partial bilateral net basis) | 2,360 | 35.5% | n/a | n/a | 1,361 | 22.2% |
| Non-bank connected persons | - | 0.0% | - | 0.0% | - | 0.0% |
| Rating-contingent limit ⁵ | | | | | | |
| Other connected persons | n/a | 70.0% | n/a | 70.0% | n/a | 70.0% |
| Non-bank connected persons | n/a | 15.0% | n/a | 15.0% | n/a | 15.0% |

The credit exposure concentrations disclosed for connected persons are on the basis of actual gross exposures and exclusive of exposures of a capital nature. The peak end-of-day credit exposures for the quarter to connected persons are measured over Tier One Capital as at the end of the quarter. There were no individual provisions provided against credit exposures to connected persons as at 30 June 2009 (30/06/2008 \$nil; 30/09/2008 \$nil). The Banking Group had no contingent exposures arising from risk lay-off arrangements to connected persons as at 30 June 2009 (30/06/2008 \$nil; 30/09/2008 \$nil).

- The Banking Group has amounts due from its Parent Company and Ultimate Parent Bank and other entities within the Ultimate Parent Group arising from the ordinary course of its business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 30 June 2009, the gross exposures to the Bank's Parent Company were \$nil (30/06/2008 \$nil; 30/09/2008 \$14 million). As at 30 June 2009, the gross exposures to the Bank's Ultimate Parent Bank were \$4,174 million (30/06/2008 \$2,947 million; 30/09/2008 \$2,997 million).
- Non-bank connected persons exposures consist of loans to directors of the Bank. Any loans are made in the ordinary course of business of the Bank, on an arm's length basis and on normal commercial terms and conditions.
- The Banking Group has complied with the limits on aggregate credit exposure (of a non-capital nature and net of individual provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the quarter.
- Represents the maximum peak end-of-day aggregate credit exposures limit (of a non-capital nature and net of individual provisions) to all connected persons. This is based on the ratings applicable to the Bank's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars (refer page 40 for the credit rating). Within the overall limit a sub-limit of 15% of Tier One Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of individual provisions) to non-bank connected persons. On 4 May 2007, the connected persons' limit increased from 70% to 75% as a result of an improvement in the Bank's credit rating. On 18 March 2008, the Bank formally engaged Fitch Ratings to provide credit rating services. The Fitch Ratings rating of AA- has meant that from this date the connected persons' limit has decreased from 75% to 70% as the Fitch Ratings rating of AA- is lower than that given by Standard & Poor's and Moody's Investors Service.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

19. MARKET RISK

RBNZ Market Risk Disclosure

The aggregate market risk exposures below have been calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (B2SB) dated March 2008.

The peak end-of-day market risk exposures for the quarter are measured over equity at the end of the quarter.

| | Consolidated | | | | | |
|-----------------------------|--------------------------------|----------|--------------------------|----------|--|------|
| | Implied risk weighted exposure | | Aggregate capital charge | | Aggregate capital charge as a percentage of the Banking Group's Equity | |
| | As at \$m | Peak \$m | As at \$m | Peak \$m | As at | Peak |
| Unaudited 30/06/2009 | | | | | | |
| Interest rate risk | 3,646 | 3,663 | 292 | 293 | 2.8% | 2.8% |
| Foreign currency risk | 18 | 140 | 1 | 11 | 0.0% | 0.1% |
| Equity risk | 81 | 91 | 6 | 7 | 0.1% | 0.1% |
| Unaudited 30/06/2008 | | | | | | |
| Interest rate risk | 3,633 | 4,078 | 291 | 326 | 3.0% | 3.4% |
| Foreign currency risk | 16 | 151 | 1 | 12 | 0.0% | 0.1% |
| Equity risk | 74 | 76 | 6 | 6 | 0.1% | 0.1% |
| Audited 30/09/2008 | | | | | | |
| Interest rate risk | 3,736 | 3,984 | 299 | 319 | 3.0% | 3.3% |
| Foreign currency risk | 35 | 160 | 3 | 13 | 0.0% | 0.1% |
| Equity risk | 64 | 75 | 5 | 6 | 0.1% | 0.1% |

20. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

| | Consolidated | | |
|--|--------------------------|--------------------------|------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Interest earning and discount bearing assets | 104,285 | 105,467 | 109,017 |
| Interest and discount bearing liabilities | 93,409 | 95,330 | 100,581 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

21. SEGMENTAL ANALYSIS

For segment reporting purposes, the Banking Group is organised into three major business segments - Retail, Commercial and Institutional. Centralised back office and corporate functions support these segments.

A summarised description of each business segment is shown below:

Retail

Provides banking products and services to individuals and small businesses through separate ANZ and The National Bank of New Zealand branded distribution channels. Personal banking customers have access to a wide range of financial services and products. Small business banking services are offered to enterprises with annual revenues of less than \$5 million. Included in this segment is Private Banking, a stand-alone business unit, which offers a fully inclusive banking and investment service to high net worth individuals. This segment also includes profit centres supporting the Retail Banking segment (e.g. ING NZ joint venture).

Commercial

This segment provides services to Rural, Corporate and Commercial and UDC customers. A full range of banking products and services are provided to Rural customers. Corporate and Commercial customers consist of primarily privately owned medium to large businesses with annual revenues of \$2 million and greater. The Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cashflow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is primarily involved in the financing and leasing of plant, vehicles and equipment, primarily for small and medium sized businesses, as well as investment products.

Institutional

Comprises businesses that provide a full range of financial services to the Banking Group's client base. The Institutional business unit is made up of the following specialised units:

- Markets - provides foreign exchange and commodity trading and sales-related services, origination, underwriting, structuring, risk management and sale of credit and derivative products globally.
- Transaction Banking - provides cash management, trade finance, international payments, clearing and custodian services.
- Specialised Lending - provides origination, credit analysis, structuring and execution of specific customer transactions.

Other

Includes Treasury and back office support functions, none of which constitutes a separately reportable segment.

As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 2009 segment definitions.

BUSINESS SEGMENT ANALYSIS - CONTINUING OPERATIONS^{1,2}

| | Consolidated | | | | Total \$m |
|---|---------------------------------------|------------------------------|----------------------|--------------|--------------|
| | Retail Banking ³ \$m | Commercial Banking \$m | Institutional \$m | Other \$m | |
| Unaudited 9 months to 30/06/2009 | | | | | |
| Net operating income ³ | 992 | 612 | 610 | 206 | 2,420 |
| Profit before income tax ³ | 42 | 201 | 410 | 145 | 798 |
| Unaudited 9 months to 30/06/2008 | | | | | |
| Net operating income | 1,328 | 591 | 402 | 241 | 2,562 |
| Profit before income tax | 507 | 344 | 270 | 239 | 1,360 |
| Audited year to 30/09/2008 | | | | | |
| Net operating income | 1,760 | 795 | 539 | 319 | 3,413 |
| Profit before income tax | 612 | 418 | 364 | 273 | 1,667 |

1. Results are equity standardised

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

3. Includes \$211 million charge in relation to ING New Zealand Funds. Refer to Note 26 for further details.

NOTES TO THE FINANCIAL STATEMENTS

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23. PARENT COMPANY AND ULTIMATE PARENT COMPANY

The Parent Company is ANZ Holdings (New Zealand) Limited which is incorporated in New Zealand. The Ultimate Parent Bank is Australia and New Zealand Banking Group Limited which is incorporated in Australia.

24. SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

Securitisation

The Bank enters into transactions in the normal course of business by which it transfers financial assets directly to third parties or to special purpose entities. These transfers may give rise to the full or partial derecognition of those financial assets.

- Full derecognition occurs when the Bank transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the asset, and transfers substantially all the risks and rewards of ownership. These risks include credit, interest rate, currency, prepayment and other price risks.
- Partial derecognition occurs when the Bank sells or otherwise transfers financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of the Bank's continuing involvement.

In May 2008 the RBNZ expanded the range of acceptable collateral that banks can pledge and borrow against as part of changes to its liquidity management arrangement designed to help ensure adequate liquidity for New Zealand financial institutions in the event that global market disruption was to intensify. From 31 July 2008, acceptable collateral includes residential mortgage backed securities ("RMBS") that satisfy RBNZ criteria.

On 10 October 2008, the Banking Group established an in-house RMBS facility that could issue securities meeting the RBNZ criteria. The establishment of the facility resulted in the Parent financial statements recognising a payable and receivable of equal amount totalling \$3,721 million to Kingfisher NZ Trust 2008-1 ("the Trust"), a newly established consolidated entity. On 12 December 2008, a further tranche totalling \$5,521 million was also sold to the Trust, creating a second payable and receivable of equal amount. These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore the Consolidated Group's financial statements do not change as a result of establishing these facilities.

The RMBS facility is dynamic in nature reflecting the underlying movement in loan balances. To the extent that any loans are found to be ineligible in terms of the RBNZ criteria, they are automatically removed from the facility. Additional lending to existing RMBS customers is added into the facility on a monthly basis.

The establishment of this facility increases the Banking Group's contingent funding ability from the RBNZ.

Funds management

Certain subsidiaries of the Bank act as trustee and/or manager for a number of unit trusts and investment and superannuation funds. The Bank provides private banking services to a number of clients, including investment advice and portfolio management. The Banking Group is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

As funds under management are not controlled by the Banking Group, they are not included in these financial statements. The Banking Group derives fee and commission income from the sale and management of investment funds and superannuation bonds, unit trusts and the provision of private banking services to a number of clients. The Banking Group derives commission income from the sale of third party funds management products.

Custodial services

The Banking Group provides custodial services to customers in respect of assets that are beneficially owned by those customers.

Marketing and distribution of insurance products

The Banking Group markets and distributes a range of insurance products which are underwritten by several insurance companies. These activities are managed in association with the ING New Zealand joint venture.

Insurance business

The Banking Group does not conduct any insurance business directly, although the Banking Group holds a 49% share in the ING NZ joint venture which does conduct insurance business.

Provision of financial services

Financial services provided by the Banking Group to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

The Banking Group has not provided any funding to entities except standard lending facilities provided in the normal course of business on arm's length terms which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group (30/06/2008 \$nil; 30/09/2008 \$nil).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS (CONTINUED)

Risk Management

The Bank and subsidiaries of the Banking Group participating in the activities identified above have in place policies and procedures to ensure that those activities are conducted in an appropriate manner. Should adverse conditions arise, it is considered that these policies and procedures will minimise the possibility that these conditions will adversely impact the Bank. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and auditors.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing insurance products:

Investment statements, prospectuses and brochures for insurance products include disclosures that the Bank and its subsidiaries do not guarantee the insurer, nor the insurer's subsidiaries, nor any of the products issued by the insurer or the insurer's subsidiaries.

Where the insurance products are subject to the Securities Act 1978, investment statements, prospectuses and brochures additionally include disclosures that:

- the policies do not represent deposits or other liabilities of the Bank or its subsidiaries;
- the policies are subject to investment risk, including possible loss of income and principal; and
- the Bank and its subsidiaries do not guarantee the capital value or performance of the policies.

Application forms for insurance products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for insurance products noted above.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing fund management products:

Prospectuses, investment statements and brochures for funds management products include disclosures:

- that the securities do not represent deposits or other liabilities of the Bank;
- that the securities are subject to investment risk including possible loss of income and principal invested; and
- that the Bank does not guarantee the capital value or performance of the securities.

Application forms for funds management products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for funds management products noted above.

25. COMMITMENTS

| | Consolidated | | |
|---|--------------------------------|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Capital expenditure | | | |
| Contracts for outstanding capital expenditure: | | | |
| Premises and equipment | | | |
| Not later than 1 year | 32 | 26 | 26 |
| Total capital expenditure commitments | 32 | 26 | 26 |
| Lease rentals | | | |
| Future minimum lease payments under non-cancellable operating leases: | | | |
| Premises and equipment | | | |
| Not later than 1 year | 84 | 81 | 86 |
| Later than 1 year but not later than 5 years | 149 | 157 | 167 |
| Later than 5 years | 30 | 27 | 27 |
| Total lease rental commitments | 263 | 265 | 280 |
| Total commitments | 295 | 291 | 306 |

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26. CONTINGENT LIABILITIES, CREDIT RELATED COMMITMENTS AND MARKET RELATED CONTRACTS

For contingent exposures, the maximum exposure to credit risk is the maximum amount that the Banking Group would have to pay if the contingent is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

| | Consolidated Face or contract value | | |
|---|--|--------------------------------|------------------------------|
| | Unaudited 30/06/2009 \$m | Unaudited 30/06/2008 \$m | Audited 30/09/2008 \$m |
| Credit related commitments | | | |
| Commitments with certain drawdown due within one year | 792 | 803 | 659 |
| Commitments to provide financial services | 23,181 | 24,124 | 23,150 |
| Total credit related commitments | 23,973 | 24,927 | 23,809 |
| Contingent liabilities | | | |
| Financial guarantees | 1,799 | 1,996 | 2,017 |
| Standby letters of credit | 440 | 487 | 401 |
| Transaction related contingent items | 1,033 | 777 | 1,090 |
| Trade related contingent liabilities | 77 | 348 | 118 |
| Total contingent liabilities | 3,349 | 3,608 | 3,626 |
| Foreign exchange, interest rate and equity contracts | | | |
| Exchange rate contracts | 101,243 | 103,285 | 109,771 |
| Interest rate contracts | 478,051 | 551,961 | 537,469 |
| Commodity contracts | 44 | - | 36 |
| Total foreign exchange, interest rate and commodity contracts | 579,338 | 655,246 | 647,276 |

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its ultimate parent bank. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The detailed and estimated maximum amount of contingent liabilities that may become payable are set out below.

Contingent tax liability

As previously disclosed, the New Zealand Inland Revenue Department ("IRD") is reviewing a number of structured finance transactions as part of an audit of the 2000 to 2005 tax years. This is part of an industry-wide review by the IRD of these transactions undertaken in New Zealand. Consequently a number of cases are before the courts. The first of these decisions was issued on 16 July 2009 against another bank in favour of the IRD.

The IRD has issued amended tax assessments in respect of seven of these transactions which cover the 2000 to 2004 income years. Proceedings disputing the amended tax assessments with respect to the 2000-2004 income years have been commenced.

The Bank considers that its position in relation to the application of the tax laws is correct and as noted above is disputing the IRD's position. The Bank considers the taxation and accounting positions it has adopted for these transactions, and all similar transactions, in these accounts appropriate.

The tax adjustments proposed so far by the IRD cover the 2000 to 2005 tax years and imply a maximum potential liability of \$313 million (\$492 million with interest tax effected).

The IRD is also investigating other transactions undertaken by the Banking Group, which have been subject to the same tax treatment. Should the same position be taken by the IRD for all years on all these transactions, including those that the Notices cover, the maximum potential liability would be approximately \$365 million (\$568 million with interest tax effected) as at 30 June 2009.

The possible application of penalties has yet to be considered by the IRD, but may be imposed following an adverse judgement. Having regard to the circumstances and the advice received, the Bank considers the application of penalties to be both inappropriate and unlikely.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26. CONTINGENT LIABILITIES, CREDIT RELATED COMMITMENTS AND MARKET RELATED CONTRACTS (CONTINUED)

Contingent Tax Liability (Continued)

Of the maximum potential tax liability in dispute, it has been estimated that approximately \$99 million (\$159 million with interest tax effected) is subject to indemnities given by Lloyds TSB Bank plc under the agreement by which the Bank acquired the NBNZ Holdings Limited Group, and which relate to transactions undertaken by NBNZ Group before December 2003.

This leaves a net potential tax liability as at 30 June 2009 of \$266 million (\$409 million with interest tax effected).

All of these transactions have now either matured or been terminated.

Commerce Commission

In November 2006, the Commerce Commission brought proceedings under the Commerce Act 1986 against Visa, MasterCard and all New Zealand issuers of Visa and MasterCard credit cards, including ANZ National Bank Limited. The Commerce Commission alleges price fixing and substantially lessening competition in relation to the setting of credit card interchange fees and is seeking penalties and orders under the Commerce Act.

Subsequently, several major New Zealand retailers have issued proceedings against ANZ National Bank Limited and the other above mentioned defendants seeking unquantified damages, based on allegations similar to those contained in the Commerce Commission proceedings.

ANZ National Bank Limited is defending the proceedings. The Bank has received independent legal advice. The matter is complex and difficult. At this stage any potential liability cannot be assessed with any certainty. A trial has been scheduled for October 2009.

In addition, the Bank is aware that the Commerce Commission is looking closely at credit contract fees under the Credit Contracts and Consumer Finance Act 2003 ("CCCFA"). In its 2008-2011 Statement of Intent the Commission stated that:

"The Commission is turning more to litigation under the Credit Contracts and Consumer Finance Act to ensure credit contract fees are reasonable and disclosed. Currently the credit industry is not fully compliant with the legislation and taking more action through the courts will encourage better compliance and clarify any areas of the law that may be uncertain."

In particular the Bank is aware that the Commerce Commission is investigating the level of default fees charged on credit cards and the level of currency conversion charges on overseas transactions using credit cards under the CCCFA. We have also been notified that the Commission will be investigating early repayment charges on fixed rate mortgages. At this stage the possible outcome of these investigations and any liability or impact on fees cannot be determined with any certainty.

ING New Zealand Funds

Trading in the ING Diversified Yield Fund and the ING Regular Income Fund ("the Funds") was suspended on 13 March 2008 due to deterioration in the liquidity and credit markets. These funds are managed by the joint venture partner (ING (NZ) Limited). Some of these funds were sold to ANZ National Bank customers.

On 5 June 2009, ING NZ AUT Investments Limited, a subsidiary of ING (NZ) Limited, made an offer to investors in the Funds. The offer closed on 13 July 2009. Investors holding approximately 99% of the funds accepted the offer and will receive a payment of 60 cents per unit in the ING Diversified Yield Fund or 62 cents per unit in the ING Regular Income Fund, as applicable, either (i) in cash no later than 28 August 2009, or (ii) by way of deposit in an on-call account with ANZ National, paying 8.30% per annum fixed for up to five years.

The Bank considers it has adequately provided for these obligations at this time. Allowance for the estimated cost of this offer is recognised as a reduction in "other operating income" in the income statement for the nine months ended 30 June 2009 with a corresponding provision in the balance sheet.

Although acceptance of this offer includes a waiver of claims, ANZ National Bank customers were offered an additional opportunity to access the ANZ National Bank customer complaints team (and, where still unsatisfied, the New Zealand Banking Ombudsman) even where the investors have accepted the offer.

The ultimate cost to ANZ National Bank will depend on the final value of units in the Funds, any recoveries under insurance, the number of complaints and the results of any litigation and regulatory proceedings that may be brought in connection with the Funds or their sale. The Commerce Commission has sought information regarding the Funds and the sale of units in the Funds and is investigating this matter. At this stage it is not possible to predict the outcome of any investigation.

Other contingent liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate. As at 30 June 2009, there were no other contingent assets or liabilities required to be disclosed (30/06/2008 nil; 30/09/2008 nil).

27. SUBSEQUENT EVENTS

On 28 July 2009, a further \$4,986 million of residential mortgage assets were sold to the Australia and New Zealand Banking Group Limited – New Zealand Branch.

On 31 July 2009, the Bank elected to repay an Australian dollar denominated loan of AUD 207,450,000 on 31 August 2009.

CONDITIONS OF REGISTRATION

Conditions of Registration, applicable as at 27 August 2009. These Conditions of Registration have applied from 15 October 2008.

The Bank's Conditions of Registration were revised on 31 March 2008 and 16 June 2008 in order to implement a new set of capital adequacy conditions for banks that have adopted the internal-models based approach to capital adequacy and to correct the definition of the Parent Bank capital ratios, respectively. The conditions that were amended were conditions 1, 1A, 1B, 1C and 4. This has resulted in changes to the Banking Group's capital adequacy disclosures (refer to Note 17 Capital Adequacy).

The registration of ANZ National Bank Limited ('the Bank') as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:

- (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than 8%;
- (b) the tier one capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than 4%; and
- (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than \$30 million.

For the purposes of this condition of registration the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is 1.06.

For the purposes of this condition of registration, the supervisory adjustment referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is the sum of:

- (a) 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and
- (b) 12.5 times the greater of: zero; and 90% of adjusted Basel I capital, less adjusted Basel II capital; where
 - (i) "adjusted Basel I capital" means 8% of total risk-weighted exposures, plus deductions from tier one capital, plus deductions from total capital, all calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008;
 - (ii) "adjusted Basel II capital" means 8% of total Basel II risk-weighted exposures plus deductions from tier one capital, plus deductions from total capital, less any amount included in tier two capital arising from the excess of eligible allowances for impairment over EL (expected losses), all calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and
 - (iii) "total Basel II risk-weighted exposures" means scalar x (risk-weighted on and off balance sheet credit exposures) + 12.5 x total capital charge for market risk exposure + 12.5 x total capital requirement for operational risk + 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008.

1A. That-

- (a) the Bank has an internal capital adequacy assessment process ("ICAAP"); that with effect from 31 August 2008 the Bank's ICAAP accords with the requirements set out in the document "Guidelines on a Bank's internal capital adequacy process ("ICAAP")" (BS12) dated December 2007;
- (b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and
- (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008:

1C. That the Bank complies with the following requirements:

The total capital ratio of the Bank is not less than 8 %.

The tier one capital ratio of the Bank is not less than 4%

CONDITIONS OF REGISTRATION

(CONTINUED)

For the purposes of this condition of registration:

- the total capital ratio is defined as capital as a percentage of risk-weighted exposures where capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008; and
 - the tier one capital ratio is defined as tier one capital as a percentage of risk-weighted exposures where tier one capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008.
2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
 3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
 - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the Banking Group's insurance business:
 - (a) Where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - The total consolidated assets of the group headed by that entity;
 - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) Otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts a) and b) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in parts a) and b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
 4. That aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

| Credit Rating ¹ | Connected exposure limit (% of the Banking Group's Tier 1 capital) |
|----------------------------|--|
| AA/Aa2 and above | 75 |
| AA-/Aa3 | 70 |
| A+/A1 | 60 |
| A/A2 | 40 |
| A-/A3 | 30 |
| BBB+/Baa1 and below | 15 |

1. This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Services. (Fitch Ratings' scale is identical to Standard & Poor's.)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the Banking Group's Tier One capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled 'Connected Exposure Policy' (BS8) dated March 2008.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the board of the Bank contains at least two independent directors and that alternates for those directors, if any, are also independent. In this context an independent director (or alternate) is a director (or alternate) who is not an employee of the Bank, and who is not a director, trustee, or employee of any holding company (as that term is defined in section 5 of the Companies Act 1993) of the Bank, or any other entity capable of controlling or significantly influencing the Bank.
7. That the chairperson of the Bank's board is not an employee of the Bank.

CONDITIONS OF REGISTRATION

(CONTINUED)

8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).
9. That a substantial proportion of the Bank's business is conducted in and from New Zealand.
10. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the Bank unless:
 - (i) The Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee, and
 - (ii) The Reserve Bank has advised that it has no objection to that appointment.
11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:
 - (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;
 - (b) that the Bank's financial risk positions on a day can be identified on that day;
 - (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
 - (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

For the purposes of the this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled 'Outsourcing Policy' (BS11) dated January 2006.

Until 31 December 2008, functions provided to the Bank by Electronic Transaction Services Limited and Interchange and Settlement Limited are not covered by this condition.

12. (a) That the business and affairs of the Bank are managed by, or under the direction and supervision of, the board of the Bank.
- (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the Bank.
- (c) That all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

For the purposes of these conditions of registration, the term 'Banking Group' means ANZ National Bank Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

CREDIT RATING INFORMATION

Credit Ratings applicable as at 27 August 2009

The Bank has three current credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars. The credit ratings are:

| Rating Agency | Current Credit Rating | Qualification |
|---------------------------|-----------------------|----------------|
| Standard & Poor's | AA | Outlook Stable |
| Moody's Investors Service | Aa2 | Outlook Stable |
| Fitch Ratings | AA- | Outlook Stable |

During the two-year period ended 30 June 2009, the Standard & Poor's credit rating and qualification remained at AA and Outlook Stable.

During the two-year period ended 30 June 2009, the Moody's Investors Service credit rating and qualification remained at Aa2 and Outlook Stable.

During the two-year period ended 30 June 2009, the Fitch Ratings credit rating and qualification remained at AA- and Outlook Stable. Fitch Ratings were formally engaged by the Bank on 18 March 2008 to provide credit rating services. Previously Fitch Ratings had rated the Bank on an unsolicited basis as AA-.

| Description | Standard & Poor's | Moody's Investors Service | Fitch Ratings |
|--|-------------------|---------------------------|-------------------|
| The following grades display investment grade characteristics: | | | |
| Ability to repay principal and interest is extremely strong. This is the highest investment category. | AAA | Aaa | AAA |
| Very strong ability to repay principal and interest. | AA | Aa | AA |
| Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions. | A | A | A |
| Adequate ability to repay principal and interest. More vulnerable to adverse changes. | BBB | Baa | BBB |
| The following grades have predominantly speculative characteristics: | | | |
| Significant uncertainties exist which could affect the payment of principal and interest on a timely basis. | BB | Ba | BB |
| Greater vulnerability and therefore greater likelihood of default. | B | B | BB |
| Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions. | CCC | Caa | CCC |
| Highest risk of default. | CC to C | Ca to C | CC to C |
| Obligations currently in default. | D | - | RD & D |

Credit ratings from Standard & Poor's and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the 'AA' to 'B' categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the 'Aa' to 'Caa' classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

DIRECTORS' STATEMENT

DIRECTORS' STATEMENT

As at the date on which this General Short Form Disclosure Statement is signed, after due enquiry, each Director believes that:

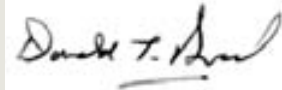
- (i) The Short Form Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2008;
- (ii) The Short Form Disclosure Statement is not false or misleading.

Over the nine months ended 30 June 2009, after due enquiry, each Director believes that:

- (i) ANZ National Bank Limited has complied with the Conditions of Registration;
- (ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;
- (iii) ANZ National Bank Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This General Short Form Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 27 August 2009. On that date, the Directors of the Bank were:

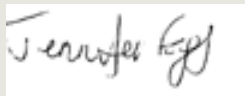
Dr D T Brash



S C Elliot



J A Fagg



N M T Geary, CBE



J F Judge



P R Marriott



M R P Smith, OBE



Sir Dryden Spring



INDEPENDENT REVIEW REPORT FOR THE NINE MONTHS ENDED 30 JUNE 2009



INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF ANZ NATIONAL BANK LIMITED

We have reviewed the interim financial statements on page 5 to 36 prepared and disclosed in accordance with Clause 19 of the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 2 to 8. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of ANZ National Bank Limited and its subsidiary companies (the "Banking Group") and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on page 10.

DIRECTORS' RESPONSIBILITIES

The Directors of ANZ National Bank Limited are responsible for the preparation and presentation of interim financial statements in accordance with clause 19 of the Order which gives a true and fair view of the financial position of the Banking Group as at 30 June 2009 and its financial performance and cash flows for the nine months ended on that date.

They are also responsible for the preparation of supplementary information which gives a fair view, in accordance with the Order, of the matters to which it relates; and complies with Schedules 2 to 8 of the Order.

REVIEWERS' RESPONSIBILITIES

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Schedules 3, 5 to 8, and Clause 13 of Schedule 2 of the Order presented to us by the Directors and reporting our findings to you.

It is also our responsibility to express a review opinion on the supplementary information as required by Schedule 4B of the Order in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the information disclosed in accordance with Schedule 4B is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand and disclosed in accordance with Schedule 4B and for reporting our findings to you.

BASIS OF REVIEW OPINION

We have performed our review in accordance with the review engagement standard RS-1 Statement of Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Banking Group in relation to other audit related services. Partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

REVIEW OPINION

Based on our review, which is not an audit, nothing has come to our attention that would cause us to believe that:

- (a) the interim financial statements (excluding the supplementary information disclosed in Notes 17, 18, 19, 20 and 24) do not present a true and fair view of the financial position of the Banking Group as at 30 June 2009 and its financial performance and cash flows for the nine months ended on that date;
- (b) the supplementary information disclosed in Notes 18, 19, 20 and 24 prescribed by Schedules 3, 5 to 8 and Clause 13 of Schedule 2 of the Order is not fairly stated in accordance with those Schedules; and
- (c) the supplementary information relating to Capital Adequacy disclosed in Note 17 of the interim financial statements, as required by Schedule 4B of the Order, derived from the Banking Group's interim financial statements and sources other than the Banking Group's accounting records, is not in all material respects derived in accordance with the Bank's Conditions of Registration, with the Reserve Bank of New Zealand document Capital Adequacy Framework (Internal Models Based Approach) (BS2B), and with the Banking Group's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 4B of the Order.

Our review was completed on 27 August 2009 and our review opinion is expressed as at that date.

A handwritten signature of a KPMG representative, appearing to be 'KPMG' in a stylized, cursive font.

Wellington

