ANZ National Bank Limited
General Short Form Disclosure Statement

FOR THE NINE MONTHS ENDED 30 JUNE 2010 | NUMBER 58 ISSUED AUGUST 2010

General Short Form Disclosure Statement

For the nine months ended 30 June 2010

Contents

General Disclosures	1 - 4
Income Statement	5
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9 - 29
Conditions of Registration	30 - 32
Credit Rating Information	33
Directors' Statement	34
Independent Review Report	35

General Disclosures

This General 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;

b) "Bank" means ANZ National Bank Limited;

c) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;

d) "Overseas Bank" or "Ultimate Parent Bank" means the worldwide operations of Australia and New Zealand Banking Group Limited excluding its controlled entities;

e) "NZ Branch" means the New Zealand operations of Australia and New Zealand Banking Group Limited, as conducted through the NZ Branch;

f) "RBNZ" means the Reserve Bank of New Zealand;

g) "Immediate Parent Company" means ANZ Holdings (New Zealand) Limited;

h) "APRA" means the Australian Prudential Regulation Authority; and

i) 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 address for service for the Bank is Level 6, 1 Victoria Street, 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 reregistered under the Companies Act 1993 on 13 June 1997.

The Immediate Parent Company of the Bank is incorporated in New Zealand and owned by ANZ Funds Pty Limited and the Ultimate Parent Bank (both incorporated in Australia). The address for service for the Ultimate Parent Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

The Bank is wholly owned by its Immediate Parent Company and ultimately by 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 RBNZ confirms that it does not object to the appointment.

The NZ Branch was established on 5 January 2009. Its address for service is Level 6, 1 Victoria Street, Wellington, New Zealand.

On 30 November 2009, the Banking Group purchased ING Groep's 51% interest in ING (NZ) Holdings Limited ("ING NZ"), which was the holding company for the ANZ-ING wealth management and life insurance joint venture in New Zealand.

General Disclosures (continued)

Nature Of Business

The Banking Group provides a broad range of banking and financial products and services to retail, small business, rural, commercial and institutional clients.

Material Financial Support

In accordance with the requirements issued by APRA pursuant to its Prudential Standards, 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 some cases approval) is required before entering exceptionally large exposures;
    - 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; and
- 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.

Pending Proceedings or Arbitration

Other than disclosed in the General Short Form Disclosure Statement, there are no pending proceedings or arbitration concerning any member of the Banking Group that may have a material adverse effect on the Bank or the Banking Group as at the date of the General Short Form Disclosure Statement.

Further details on pending proceedings or arbitration are set out in the Credit Related Commitments and Contingent Liabilities note.

Other Material Matters

There are no matters relating to the business or affairs of the Bank and the Banking Group which are not contained elsewhere in the General Short Form Disclosure Statement and which would, if disclosed, materially adversely affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

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 Deed entered into by the Bank and the Crown on 18 December 2009 ("Retail Deed").

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 (being a person who carries on the business of borrowing and lending money, or providing financial services, or both, such as a life insurance company, a building society or a registered bank), and, as set out in the Retail Deed, 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") or an issuer, trustee or manager of any such scheme acting in that capacity;

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);

General Disclosures (continued)

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 controlled by a financial institution as defined 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 subject to the Crown's right to decline liability for interest as set out in the Retail Deed.

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 no later than 14 days after it is due and payable.

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.

On 25 August 2009 the Government announced that it will extend the Crown Retail Guarantee to 31 December 2011 and change some of its terms and conditions. The Reserve Bank has stated that there is no need for banks to partake in the scheme, and therefore at this stage the Bank does not intend to apply to be covered by it.

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"). The Government closed the Crown Wholesale Guarantee to new debt securities on 30 April 2010. The closure did not affect debt securities previously issued with the benefit of the Crown Wholesale Guarantee.

If a Guarantee Eligibility Certificate was issued in respect of 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) has irrevocably:

a) guaranteed 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; and

b) undertaken 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 debt securities 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 must be made in the prescribed form and delivered by hand to the Minister of Finance, Parliament Buildings, Wellington, New Zealand or to one of the other addresses specified in the Wholesale Deed.

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.

General Disclosures (continued)

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. Refer to "Credit Rating Information" for a full description of credit rating scales.

Supplemental Disclosure Statement

The most recent Supplemental Disclosure Statement for the nine months ended 30 June 2010 is available at no charge:

a) on the Bank's websites www.anz.co.nz and www.nationalbank.co.nz;

b) immediately if request is made at the Bank's registered office, located at Level 6, 1 Victoria Street, Wellington, New Zealand; and

c) within five working days of a request, if a request is made at any branch of the ANZ or The National Bank of New Zealand.

The Bank's most recent Supplemental Disclosure Statement contains a copy of the bilateral netting agreement with the Ultimate Parent Bank and copies of the Crown Retail Guarantee and Crown Wholesale Guarantee.

Directorate

Since the authorisation date of the previous General Disclosure Statement on 21 May 2010, there have been no changes to Directors of the Bank.

Income Statement

For the nine months ended 30 June 2010

$millions	Note	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Interest income		**4,214**	5,819	7,246
Interest expense		**2,530**	3,962	4,892
Net interest income		**1,684**	1,857	2,354
Net trading gains		**47**	191	187
Net funds management and insurance income		**139**	72	97
Other operating income		**481**	290	465
Share of profit of equity accounted associates and jointly controlled entities		**37**	10	13
Operating income		**2,388**	2,420	3,116
Operating expenses		**1,137**	1,094	1,477
Profit before provision for credit impairment and income tax		**1,251**	1,326	1,639
Provision for credit impairment	10	**392**	528	874
Profit before income tax		**859**	798	765
Income tax expense	3	**249**	237	467
Profit after income tax		**610**	561	298

Statement of Comprehensive Income

For the nine months ended 30 June 2010

$millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Profit after income tax	**610**	561	298
Available-for-sale revaluation reserve:			
– Valuation gain before tax	**44**	3	2
Cash flow hedging reserve:			
– Valuation gain / (loss) before tax	**53**	(6)	(1)
– Transferred to income statement	**23**	(13)	(3)
Actuarial gain / (loss) on defined benefit schemes	**14**	(38)	(25)
Income tax credit / (expense) on items recognised directly in equity	**(36)**	19	10
Net income / (expense) recognised directly in equity	**98**	(35)	(17)
Total comprehensive income for the period	**708**	526	281

The notes on pages 9 to 29 form part of and should be read in conjunction with these financial statements

Statement of Changes in Equity

For the nine months ended 30 June 2010

$millions	Note	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Ordinary share capital				
Balance at beginning of the period		**6,943**	5,943	5,943
Ordinary share capital issued during the period		**-**	1,000	1,000
Balance at end of the period		**6,943**	6,943	6,943
Available-for-sale revaluation reserve				
Balance at beginning of the period		**25**	23	23
Valuation gain recognised after tax		**34**	4	2
Balance at end of the period		**59**	27	25
Cash flow hedging reserve				
Balance at beginning of the period		**23**	24	24
Valuation gain / (loss) recognised after tax		**38**	(4)	-
Transferred to income statement		**16**	(8)	(1)
Balance at end of the period		**77**	12	23
Total reserves		**136**	39	48
Retained earnings				
Balance at beginning of the period		**3,097**	3,817	3,817
Profit after income tax attributable to parent		**610**	561	298
Total available for appropriation		**3,707**	4,378	4,115
Actuarial gain / (loss) on defined benefit schemes after tax		**10**	(27)	(18)
Ordinary dividend paid		**-**	(1,000)	(1,000)
Balance at end of the period		**3,717**	3,351	3,097
Non-controlling interests				
Balance at beginning of the period		**-**	-	-
Acquired in a business combination	23	**1**	-	-
Balance at end of the period		**1**	-	-
Total equity				
Balance at beginning of the period		**10,088**	9,807	9,807
Total comprehensive income for the period		**708**	526	281
Transactions with shareholders		**-**	-	-
Non-controlling interests		**1**	-	-
Balance at end of the period		**10,797**	10,333	10,088

The notes on pages 9 to 29 form part of and should be read in conjunction with these financial statements

Balance Sheet

As at 30 June 2010

$millions	Note	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Assets				
Liquid assets	4	1,906	2,076	2,762
Due from other financial institutions	5	1,103	5,460	4,514
Trading securities	6	7,164	2,950	4,166
Derivative financial instruments	21	9,020	12,185	11,408
Available-for-sale assets	7	1,831	767	1,513
Net loans and advances	8	86,072	93,169	88,259
Investments relating to insurance business		34	-	-
Insurance policy assets		129	-	-
Due from immediate parent company		525	-	-
Shares in associates and jointly controlled entities		145	398	464
Current tax assets		43	108	65
Other assets		1,055	925	1,137
Deferred tax assets		359	272	-
Premises and equipment		307	258	278
Goodwill and other intangible assets		3,565	3,328	3,325
Total assets		113,258	121,896	117,891
Liabilities				
Due to other financial institutions	11	1,076	5,064	3,725
Deposits and other borrowings	12	71,839	70,846	71,764
Due to immediate parent company		-	971	930
Derivative financial instruments	21	8,977	11,668	10,762
Payables and other liabilities		1,669	1,791	1,809
Deferred tax liabilities		-	-	17
Provisions		325	370	283
Bonds and notes	13	16,207	17,986	15,917
Loan capital	14	2,368	2,867	2,596
Total liabilities		102,461	111,563	107,803
Net assets		10,797	10,333	10,088
Equity				
Ordinary share capital		6,943	6,943	6,943
Reserves		136	39	48
Retained earnings		3,717	3,351	3,097
Parent shareholder's equity		10,796	10,333	10,088
Non-controlling interests		1	-	-
Total equity		10,797	10,333	10,088

The notes on pages 9 to 29 form part of and should be read in conjunction with these financial statements

Cash Flow Statement

For the nine months ended 30 June 2010

$millions	Note	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Cash flows from operating activities				
Interest received		**4,133**	5,862	7,131
Dividends received		**2**	1	3
Net cash from funds management & insurance		**83**	49	97
Fees and other income received		**649**	642	920
Interest paid		**(2,555)**	(3,974)	(4,884)
Operating expenses paid		**(1,061)**	(1,032)	(1,480)
Income taxes paid		**(612)**	(420)	(425)
Cash flows from operating profits before changes in operating assets and liabilities		**639**	1,128	1,362
Net changes in operating assets and liabilities:				
Change in due from other financial institutions – term		**2,184**	(1,835)	(246)
Change in trading securities		**(3,011)**	(293)	(1,505)
Change in derivative financial instruments		**2,007**	(2,358)	(3,936)
Change in available-for-sale assets		**(65)**	(651)	(1,388)
Change in insurance investment assets		**14**	-	-
Change in loans and advances		**(1,056)**	(422)	(1,108)
Proceeds from sale of loans and advances to NZ Branch		**2,612**	4,877	9,863
Change in other assets		**55**	(76)	(164)
Change in due to other financial institutions		**(2,707)**	1,923	509
Change in deposits and other borrowings		**(715)**	(4,760)	(3,965)
Change in payables and other liabilities		**(108)**	148	165
Net cash flows used in operating activities	19	**(151)**	(2,319)	(413)
Cash flows from investing activities				
Proceeds from sale of shares in associates and jointly controlled entities		**1**	-	-
Proceeds from sale of premises and equipment		**1**	36	33
Proceeds from sale of software		**-**	-	1
Purchase of shares in associates and jointly controlled entities		**-**	(25)	(92)
Purchase of shares in subsidiary entities	23	**(247)**	-	-
Purchase of intangible assets		**(38)**	(20)	(20)
Purchase of premises and equipment		**(61)**	(61)	(95)
Net cash flows used in investing activities		**(344)**	(70)	(173)
Cash flows from financing activities				
Proceeds from bonds and notes		**3,098**	2,113	5,012
Redemptions of bonds and notes		**(3,209)**	(4,618)	(7,751)
Redemptions of loan capital		**(200)**	-	(225)
Proceeds from share issue		**-**	1,000	1,000
Dividends paid		**-**	(1,000)	(1,000)
Change in related party funding		**(1,455)**	567	526
Net cash flows used in financing activities		**(1,766)**	(1,938)	(2,438)
Net cash flows used in operating activities		**(151)**	(2,319)	(413)
Net cash flows used in investing activities		**(344)**	(70)	(173)
Net cash flows used in financing activities		**(1,766)**	(1,938)	(2,438)
Net decrease in cash and cash equivalents		**(2,261)**	(4,327)	(3,024)
Cash and cash equivalents at beginning of the period		**4,765**	7,789	7,789
Cash and cash equivalents at end of the period		**2,504**	3,462	4,765

The notes on pages 9 to 29 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 2009.

(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 General Disclosure Statement for the year ended 30 September 2009, on 13 November 2009.

The following standards have been initially applied by the Banking Group for the nine months ended 30 June 2010: NZ IFRS 8 *Operating Segments* ("NZ IFRS 8"), NZ IAS 1 *Presentation of Financial Statements* (revised) ("NZ IAS 1") and NZ IFRS 3 *Business Combinations* (revised).

NZ IFRS 8 replaces NZ IAS 14 *Segment Reporting* and requires the use of a "management approach" to segment reporting. Segment information is therefore presented on the same basis as that used for internal reporting purposes. Goodwill associated with the acquisition of NBNZ Holdings Limited Group is allocated to the reportable segments in accordance with NZ IFRS 8. The Banking Group's reportable operating segments did not change on adoption of NZ IFRS 8.

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

The application of these standards has not resulted in a material impact on the financial results or position of the Banking Group

(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 the Bank and its subsidiaries.

(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 new types of risk since the authorisation date of the previous Disclosure Statement on 21 May 2010.

Notes to the Financial Statements (continued)

3. Income Tax Expense

$millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Income tax expense before tax provisions and the effect of changes in tax legislation	**249**	237	227
Change in tax provisions	**(44)**	-	240
Effect of changes in tax legislation	**44**	-	-
Income tax expense	**249**	237	467
Effective tax rate (%) before change in tax provisions and the effect of changes in tax legislation	**29.0%**	29.7%	29.7%
Effective tax rate (%)	**29.0%**	29.7%	61.0%

Changes in tax legislation

In May 2010 legislation was passed to reduce the New Zealand corporate tax rate from 30% to 28% and to remove the ability to claim tax depreciation on buildings with an estimated useful life greater than fifty years, effective for the 2011-2012 income tax year. The tax effect shown is the estimated impact on the value of deferred tax as a result of the changes from 1 October 2011.

Settlement with Inland Revenue Department

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

4. Liquid Assets

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Cash and balances with central banks	**1,602**	1,617	2,373
Money at call	**209**	402	341
Bills receivable and remittances in transit	**95**	57	48
Total liquid assets	**1,906**	2,076	2,762

5. Due from Other Financial Institutions

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Able to be withdrawn without prior notice	**93**	79	172
Securities purchased under agreement to resell	**301**	340	1,083
Securities purchased under agreement to resell with central banks	**-**	41	-
Security settlements	**-**	-	370
Certificates of deposit	**538**	4,041	2,338
Reserve Bank bills	**-**	744	398
Term loans and advances	**171**	215	153
Total due from other financial institutions	**1,103**	5,460	4,514

Notes to the Financial Statements (continued)

6. Trading Securities

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Government and local body stock and bonds	**3,612**	665	1,389
Certificates of deposit	**361**	458	191
Promissory notes	**115**	69	28
Other bank bonds	**3,014**	1,631	2,475
Other	**62**	127	83
Total trading securities	**7,164**	2,950	4,166
Included within trading securities is the following balance:			
Assets encumbered through repurchase agreements	**168**	79	159

7. Available-For-Sale Assets

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Government and local body stock and bonds	**1,539**	634	1,394
Other debt securities	**213**	59	48
Equity securities	**79**	74	71
Total available-for-sale assets	**1,831**	767	1,513

8. Net Loans and Advances

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Overdrafts	**2,217**	2,016	2,087
Credit card outstandings	**1,400**	1,410	1,402
Term loans – housing[1]	**44,063**	49,095	44,763
Term loans – non-housing	**39,095**	40,348	40,231
Finance lease receivables	**705**	699	683
Gross loans and advances	**87,480**	93,568	89,166
Provision for credit impairment (Note 10)	**(1,462)**	(1,034)	(1,272)
Unearned finance income	**(265)**	(279)	(262)
Fair value hedge adjustment	**321**	886	615
Deferred fee revenue and expenses	**(50)**	(52)	(51)
Capitalised brokerage / mortgage origination fees	**48**	80	63
Total net loans and advances	**86,072**	93,169	88,259

[1] As at 30 June 2010 the Banking Group has not entered into any repurchase agreements for residential mortgage-backed securities with the Reserve Bank of New Zealand ("RBNZ") (30/06/2009 repurchase agreements to the value of $1,806 million; 30/09/2009 $1,806 million). Therefore no underlying collateral has been accepted by the RBNZ under this transaction (in previous periods mortgages to the value of 30/06/2009 $2,250 million; 30/09/2009 $2,250 million were held by the RBNZ as collateral).

In February 2009 and July 2009, the Banking Group sold $4,877 million and $4,986 million, respectively, of residential mortgages to the NZ Branch. These existing tranches of residential mortgages are regularly topped up with additional mortgages. Further sales of $2,612 million occurred in the nine months ended 30 June 2010. Repurchases and repayments have resulted in the NZ Branch holding residential mortgages of $9,512 million as at 30 June 2010. These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets. Net loans and advances have decreased as a result of selling these assets.

Notes to the Financial Statements (continued)

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

Individually impaired assets

$millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Balance at beginning of the period	**377**	**59**	**740**	**1,176**
Transfers from productive	**388**	**205**	**919**	**1,512**
Transfers to productive	**(9)**	**(1)**	**(74)**	**(84)**
Assets realised or loans repaid	**(232)**	**(84)**	**(308)**	**(624)**
Write offs	**(41)**	**(97)**	**(48)**	**(186)**
Individually impaired asset balance at end of the period	**483**	**82**	**1,229**	**1,794**
Restructured items and other individually impaired assets	**7**	**-**	**-**	**7**
Total impaired assets	**490**	**82**	**1,229**	**1,801**
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 asset balance at end of the period	283	64	523	870
Restructured items and other individually impaired assets	1	-	-	1
Total impaired assets	284	64	523	871
Audited 30/09/2009				
Balance at beginning of the year	83	30	214	327
Transfers from productive	576	243	882	1,701
Transfers to productive	(22)	(20)	(25)	(67)
Assets realised or loans repaid	(232)	(45)	(230)	(507)
Write offs	(28)	(149)	(101)	(278)
Individually impaired asset balance at end of the year	377	59	740	1,176
Restructured items and other individually impaired assets	-	2	-	2
Total impaired assets	377	61	740	1,178

Restructured assets and other individually impaired assets

A restructured asset is an impaired asset for which the terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulty in complying with the original terms, and where the yield on the asset following restructuring is still above the Banking Group's cost of funds. An asset is classified as an other individually impaired asset if, following the restructure, the yield on the asset is below the Banking Group's cost of funds.

Assets acquired through enforcement of security

Assets acquired through enforcement of security are those assets which are legally owned by the Banking Group as a result of enforcing security, other than any buildings occupied by the Banking Group. The Banking Group held no material assets acquired through enforcement of security (30/06/2009 $nil; 30/09/2009 $nil).

Past due assets

A past due asset is any loan where the counterparty has failed to make a payment when contractually due, and which is not an impaired asset. A 90 days past due asset is any past due asset which has not been operated by the counterparty within its key terms for at least 90 days.

Other assets under administration

Other assets under administration are any loans, not being impaired or 90 days past due, where the customer is in any form of voluntary or involuntary administration, including receivership, liquidation, bankruptcy or statutory management.

Notes to the Financial Statements (continued)

9. Impaired Assets, Past Due Assets and Other Assets Under Administration (continued)

$millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Balance at end of period				
Past due assets (90 days past due assets)[1]	**159**	**44**	**149**	**352**
Other assets under administration	**-**	**-**	**1**	**1**
Undrawn facilities with impaired customers	**-**	**-**	**82**	**82**
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
Audited 30/09/2009				
Balance at end of year				
Past due assets (90 days past due assets)[1]	265	59	111	435
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	32	32

[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

$millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Collective provision				
Balance at beginning of the period	**121**	**159**	**518**	**798**
Charge / (credit) to income statement	**(11)**	**(8)**	**64**	**45**
Balance at end of the period	**110**	**151**	**582**	**843**
Individual provision (individually impaired assets)				
Balance at beginning of the period	**153**	**40**	**281**	**474**
Charge to income statement	**109**	**92**	**146**	**347**
Recoveries of amounts previously written off	**1**	**12**	**2**	**15**
Bad debts written off	**(41)**	**(97)**	**(48)**	**(186)**
Discount unwind[1]	**(11)**	**(2)**	**(18)**	**(31)**
Balance at end of the period	**211**	**45**	**363**	**619**
Total provision for credit impairment	**321**	**196**	**945**	**1,462**
Unaudited 30/06/2009				
Collective provision				
Balance at beginning of the period	81	164	289	534
Charge / (credit) 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
Audited 30/09/2009				
Collective provision				
Balance at beginning of the year	81	164	289	534
Charge / (credit) to income statement	40	(5)	229	264
Balance at end of the year	121	159	518	798
Individual provision (individually impaired assets)				
Balance at beginning of the year	28	10	94	132
Charge to income statement	152	161	297	610
Recoveries of amounts previously written off	1	18	1	20
Bad debts written off	(28)	(149)	(101)	(278)
Discount unwind[1]	-	-	(10)	(10)
Balance at end of the year	153	40	281	474
Total provision for credit impairment	274	199	799	1,272

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

$millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
New and increased provisions	**145**	**122**	**249**	**516**
Provision releases	**(35)**	**(18)**	**(101)**	**(154)**
	110	**104**	**148**	**362**
Recoveries of amounts previously written off	**(1)**	**(12)**	**(2)**	**(15)**
Individual provision charge	**109**	**92**	**146**	**347**
Collective provision charge / (credit)	**(11)**	**(8)**	**64**	**45**
Charge to income statement	**98**	**84**	**210**	**392**
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 / (credit)	19	(14)	92	97
Charge to income statement	118	102	308	528
Audited 30/09/2009				
New and increased provisions	162	182	316	660
Provision releases	(9)	(3)	(18)	(30)
	153	179	298	630
Recoveries of amounts previously written off	(1)	(18)	(1)	(20)
Individual provision charge	152	161	297	610
Collective provision charge / (credit)	40	(5)	229	264
Charge to income statement	192	156	526	874

Notes to the Financial Statements (continued)

11. Due to Other Financial Institutions

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Ultimate Parent Bank	**10**	2,462	497
Securities sold under agreements to repurchase from other financial institutions	**168**	79	159
Securities sold under agreements to repurchase from central banks	**-**	1,806	1,806
Other financial institutions	**898**	717	1,263
Total due to other financial institutions	**1,076**	5,064	3,725

12. Deposits and Other Borrowings

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Amortised cost			
Certificates of deposit	**3,278**	5,072	4,441
Term deposits	**33,049**	32,153	32,997
Demand deposits bearing interest	**19,151**	21,936	21,024
Deposits not bearing interest	**4,675**	4,424	4,373
Secured debenture stock	**1,371**	1,621	1,537
Total deposits and other borrowings recognised at amortised cost	**61,524**	65,206	64,372
Fair value through profit or loss			
Commercial paper	**10,315**	5,640	7,392
Total deposits and other borrowings recognised at fair value	**10,315**	5,640	7,392
Total deposits and other borrowings	**71,839**	70,846	71,764

13. Bonds and Notes

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Total bonds and notes	**16,207**	17,986	15,917
Included within bonds and notes are the following related party balances:			
Subsidiaries of the Ultimate Parent Bank	**2,263**	2,508	2,233

14. Loan Capital

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Term and perpetual subordinated debt	**2,368**	2,867	2,596
Included within loan capital is the following related party balance:			
Ultimate Parent Bank	**588**	1,083	811

Notes to the Financial Statements (continued)

15. Capital Adequacy

Capital adequacy ratios under the Basel II internal models based approach

	Unaudited 30/06/2010	Unaudited 30/06/2009	Unaudited 30/09/2009
Tier One Capital	**10.12%**	9.13%	9.03%
RBNZ minimum Tier One Capital ratio	**4.00%**	4.00%	4.00%
Total Capital	**13.50%**	12.93%	12.67%
RBNZ minimum Total Capital ratio	**8.00%**	8.00%	8.00%

$millions	
Capital of the Banking Group as at 30 June 2010 (Unaudited)	
Tier One Capital	
Ordinary share capital	**6,943**
Revenue and similar reserves	**3,243**
Current period's profit after tax	**610**
Non-controlling interests	**1**
Less deductions from Tier One Capital	
– Goodwill	**3,265**
– Software and other intangible assets	**300**
– Future income tax benefits	**93**
– Cash flow hedging reserve	**77**
– 50% of expected loss to the extent greater than total eligible allowances for impairment	**12**
Total Tier One Capital	**7,050**
Tier Two Capital – Upper Level Tier Two Capital	
Perpetual subordinated debt	**1,161**
Tier Two Capital – Lower Level Tier Two Capital	
Term subordinated debt	**1,207**
	2,368
Less deductions from Tier Two Capital	
– 50% of total expected loss to the extent greater than total eligible allowances for impairment	**12**
Total Tier Two Capital	**2,356**
Total Capital	**9,406**

Total required capital of the Banking Group as at 30 June 2010 (Unaudited)

$millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[2]	Total capital requirement
Exposures subject to internal ratings based approach	**119,853**	**50,508**	**4,042**
Specialised lending exposures subject to slotting approach	**6,543**	**6,636**	**531**
Exposures subject to standardised approach	**481**	**414**	**34**
Equity exposures	**226**	**875**	**70**
Other exposures	**2,283**	**722**	**58**
Total credit risk	**129,386**	**59,155**	**4,735**
Operational risk	**n/a**	**5,178**	**414**
Market risk	**n/a**	**3,816**	**305**
Supervisory adjustment[1]	**n/a**	**1,543**	**123**
Total capital requirement	**129,386**	**69,692**	**5,577**

[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 2010.

[2] The risk weighted exposures for credit risk include a scalar of 1.06 in accordance with the Bank's conditions of registration.

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

Capital adequacy ratios under the Basel I approach

	Banking Group			Bank		
	Unaudited 30/06/2010	Unaudited 30/06/2009	Unaudited 30/09/2009	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Unaudited 30/09/2009
Tier One Capital	**9.49%**	8.44%	8.43%	**9.69%**	8.35%	8.34%
Total Capital	**12.67%**	12.02%	11.82%	**12.02%**	11.88%	11.66%
Total risk-weighted exposures ($m)	**74,426**	79,981	76,467	**72,418**	78,106	74,665
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 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.

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. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration; 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 the Loan to Value ("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 six 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 2010 General Disclosure Statement for a more detailed description of the Banking Group's implementation of the IRB approach.

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

Credit exposures subject to the internal ratings based approach

The following tables analyse the capital requirements by asset class under the IRB approach:

As at 30/06/2010 (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 $m	Total capital requirement $m
On-balance sheet exposures						
Corporate	35,275	35,275	37	66	24,735	1,979
Sovereign	7,424	7,424	5	1	71	6
Bank	3,920	3,327	61	16	566	45
Retail mortgages	41,264	41,264	20	22	9,751	780
Other retail	4,313	4,313	62	79	3,613	289
Total on-balance sheet exposures	92,196	91,603	29	40	38,736	3,099
Off-balance sheet exposures						
Corporate	12,799	10,758	47	54	6,102	488
Sovereign	46	46	5	-	-	-
Bank	879	714	45	16	122	10
Retail mortgages	5,309	4,918	20	22	1,150	92
Other retail	4,512	4,585	75	49	2,399	192
Total off-balance sheet exposures	23,545	21,021	47	44	9,773	782
Market related contracts						
Corporate	59,207	1,583	56	52	871	70
Sovereign	8,417	599	5	1	6	1
Bank	568,480	5,047	65	21	1,122	90
Total market related contracts	636,104	7,229	58	26	1,999	161
Total credit risk exposures subject to the internal ratings based approach	751,845	119,853	34	40	50,508	4,042

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

As at 30/06/2010 (Unaudited) Customer Credit Rating	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporates						
0 - 2	0.06%	5,399	61	22	1,240	100
3 - 4	0.35%	18,676	36	35	6,952	556
5	1.01%	10,503	35	60	6,712	537
6	2.30%	6,702	39	84	6,000	480
7 - 8	7.42%	5,015	40	117	6,228	498
Default	100.00%	1,321	50	327	4,576	366
Total corporate credit risk exposures	4.25%	47,616	40	63	31,708	2,537
Sovereign						
0	0.01%	8,069	5	1	77	7
1 - 8	n/a	-	-	-	-	-
Default	n/a	-	-	-	-	-
Total sovereign credit risk exposures	0.01%	8,069	5	1	77	7
Bank						
0	0.01%	5,678	65	17	1,034	83
1	0.02%	2,898	56	18	548	44
2 - 4	0.09%	398	56	21	91	7
5 - 6	1.89%	95	65	132	133	11
7 - 8	5.06%	2	65	193	4	-
Default	100.00%	17	65	-	-	-
Total bank credit risk exposures	0.22%	9,088	62	19	1,810	145
Retail mortgages						
0 - 3	0.20%	17,742	19	8	1,448	116
4	0.44%	9,142	20	14	1,389	111
5	0.96%	12,617	21	25	3,387	271
6	2.39%	3,423	21	47	1,688	135
7 - 8	11.84%	2,431	23	104	2,672	214
Default	100.00%	827	29	36	317	25
Total residential mortgage credit risk exposures	3.02%	46,182	20	22	10,901	872
Other retail						
0 - 2	0.10%	21	75	18	4	-
3 - 4	0.30%	4,512	72	36	1,699	136
5	1.12%	1,531	67	70	1,139	91
6	2.57%	1,583	61	82	1,370	110
7 - 8	11.46%	1,095	70	123	1,422	114
Default	100.00%	156	64	229	378	30
Total other retail credit risk exposures	3.97%	8,898	69	64	6,012	481

Credit risk exposures subject to the IRB approach have been derived in accordance with the RBNZ document BS2B and other relevant correspondence from the RBNZ setting out prescribed credit risk estimates.

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

Specialised lending exposures subject to the slotting approach

On-balance sheet exposures as at 30/06/2010 (unaudited)[1]	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Strong	1,553	70	1,153	92
Good	2,554	90	2,437	195
Satisfactory	1,443	115	1,759	141
Weak	322	250	852	68
Default	215	-	-	-
Total on-balance sheet exposures subject to the slotting approach	6,087	96	6,201	496

[1] 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-.

Off-balance sheet exposures as at 30/06/2010 (unaudited)	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Undrawn commitments and other off balance sheet exposures	512	361	89	340	27
Market related contracts	1,878	95	94	95	8
Total off-balance sheet exposures subject to the slotting approach	2,390	456	90	435	35

Specialised lending exposures subject to the slotting approach have been derived in accordance with the RBNZ document BS2B.

Credit risk exposures subject to the standardised approach

On-balance sheet exposures as at 30/06/2010 (unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporates	197	100	209	17
Banks	9	20	2	-
Residential mortgages	82	40	34	3
Other retail	20	100	22	2
Past due assets	2	150	3	-
Total on-balance sheet exposures subject to the standardised approach	310	82	270	22

Off-balance sheet exposures as at 30/06/2010 (unaudited)	Exposure amount $m	Average credit conversion factor %	Credit equivalent amount $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Undrawn commitments and other off balance sheet exposures	505	34	171	80	144	12

Credit risk exposures subject to the standardised approach have been calculated in accordance with the RBNZ document BS2A.

Equity exposures

As at 30/06/2010 (unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All other equity holdings (not deducted from capital)	226	365	875	70

Equity exposures have been calculated in accordance with the RBNZ document BS2B.

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

Other exposures

As at 30/06/2010 (Unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash and gold bullion	175	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,427	-	-	-
Other assets	681	100	722	58
Total other IRB credit risk exposures	2,283	30	722	58

Other exposures have been calculated in accordance with the RBNZ document BS2B.

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.

Market risk

The aggregate market risk exposures below have been calculated in accordance with the RBNZ document entitled 'Market risk guidance notes' (BS6).

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

	Implied risk weighted exposure		Aggregate capital charge		As a percentage of the Bankings Group's equity	
Unaudited 30/06/2010	As at $m	Peak for the quarter $m	As at $m	Peak for the quarter $m	As at $m	Peak for the quarter $m
Interest rate risk	3,678	4,851	294	388	2.7%	3.6%
Foreign currency risk	59	91	5	7	0.0%	0.1%
Equity risk	79	96	6	8	0.1%	0.1%
	3,816		305			
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%
	3,745		299			
Audited 30/09/2009						
Interest rate risk	3,824	3,824	306	306	3.0%	3.0%
Foreign currency risk	5	301	-	24	0.0%	0.2%
Equity risk	69	82	6	7	0.1%	0.1%
	3,898		312			

Operational risk

As at 30 June 2010 the Banking Group had an implied risk weighted exposure of $5,178 million for operational risk and an operational risk capital requirement of $414 million. The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with the RBNZ document BS2B.

Credit risk mitigation

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. The Banking Group generally takes collateral security in the form of real property or a security interest in personal property, 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 2010, under the IRB approach, the Banking Group had $1,421 million of corporate exposures covered by guarantees, where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Notes to the Financial Statements (continued)

15. Capital Adequacy (continued)

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.

$millions	Exposure amount Unaudited 30/06/10
LVR range	
0% - 59%	**21,537**
60% - 69%	**6,757**
70% - 79%	**8,187**
80% - 89%	**4,391**
Over 90%	**4,106**
Total retail mortgage exposures subject to the internal ratings based approach	**44,978**

Pillar II capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process ("ICAAP") which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier one and total capital ratios. The other material risks identified by the Banking Group include premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is $115 million (30/06/09: $146 million; 30/09/2009: $148 million).

16. Concentrations of Credit Risk

Concentrations of credit risk to individual counterparties

The number of individual counterparties (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:

	Unaudited 30/06/2010 Number of Counterparties		Unaudited 30/06/2009 Number of Counterparties		Audited 30/09/2009 Number of Counterparties	
	As at	**Peak for the quarter**	As at	Peak for the quarter	As at	Peak for the quarter
Concentrations of credit risk to non bank counterparties						
10% to 20% of equity	**1**	**1**	1	1	1	1
Concentrations of credit risk to bank counterparties						
10% to 20% of equity	**2**	**2**	-	1	3	2
20% to 30% of equity	**-**	**-**	2	2	1	2

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 separately for each individual counterparty and the peak for all counterparties may not have occurred at the same time.

Total period end exposures to counterparties where the individual counterparty's exposure is greater than 10% of equity:

$millions	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Audited 30/09/2009
Non banks	**1,235**	1,306	1,194
Banks	**2,565**	4,872	6,201

Notes to the Financial Statements (continued)

16. Concentrations of Credit Risk (continued)

Credit ratings of counterparties

All of the counterparties included in the preceding tables have an investment grade credit rating (30/06/2009: 100%; 30/09/2009 100%). 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.

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. 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 2010. The amount of gross credit exposures to connected persons netted off must not be greater than 125% of the Banking Group's Tier One Capital.

	Unaudited 30/06/2010		Unaudited 30/06/2009		Audited 30/09/2009	
	Amount $m	**% of Tier One Capital**	Amount $m	% of Tier One Capital	Amount $m	% of Tier One Capital
Aggregate at end of period[3]						
Other connected persons (on gross basis, before netting)[1]	**3,941**	**55.9%**	4,174	62.7%	4,503	69.9%
Other connected persons (amount netted off)[1]	**3,035**	**43.0%**	3,023	45.4%	3,010	46.7%
Other connected persons (on partial bilateral net basis)[1]	**906**	**12.9%**	1,151	17.3%	1,493	23.2%
Non-bank connected persons[2]	**-**	**0.0%**	-	0.0%	-	0.0%
Peak end-of-day for the quarter[3]						
Other connected persons (on gross basis, before netting)	**4,579**	**65.0%**	5,514	82.9%	5,490	85.2%
Other connected persons (amount netted off)	**3,518**	**49.9%**	3,154	47.4%	2,693	41.8%
Other connected persons (on partial bilateral net basis)	**1,061**	**15.0%**	2,360	35.5%	2,797	43.4%
Non-bank connected persons	**-**	**0.0%**	-	0.0%	-	0.0%
Rating-contingent limit[4]						
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%

[1] The Banking Group has amounts due from its Parent Company and the Ultimate Parent Bank and other entities within the Overseas Banking Group arising in the ordinary course of business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 30 June 2010, the gross exposures to the Bank's Parent Company were $533 million (30/06/2009 $nil; 30/09/2009 $522 million). As at 30 June 2010, the gross exposures to the Bank's Ultimate Parent Bank were $4,012 million (30/06/2009 $4,174 million; 30/09/2009 $3,981 million).

[2] 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.

[3] 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.

[4] 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 limit is based on the ratings applicable to the Bank's long term senior unsecured obligations payable in New Zealand in New Zealand dollars. 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.

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 2010 (30/06/2009 $nil; 30/09/2009 $nil). The Banking Group had no contingent exposures arising from risk lay-off arrangements to connected persons as at 30 June 2010 (30/06/2009 $nil; 30/09/2009 $nil).

17. Interest Earning and Discount Bearing Assets and Liabilities

$millions	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Audited 30/09/2009
Interest earning and discount bearing assets	**97,836**	104,285	100,935
Interest and discount bearing liabilities	**86,815**	93,409	90,491

Notes to the Financial Statements (continued)

18. 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.

The segments as reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer. As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 2010 segment definitions.

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, which offers a fully inclusive banking and investment service to high net worth individuals. This segment also includes ING NZ and other profit centres supporting the Retail Banking segment.

Commercial

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

Institutional

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 and clearing 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.

Business Segment Analysis[1,2]

$millions	Retail[3]	Commercial	Institutional	Other[4]	Total
Unaudited 9 months to 30/06/2010					
External revenues[3]	**1,729**	**1,491**	**41**	**(873)**	**2,388**
Intersegment revenues	**(594)**	**(837)**	**437**	**994**	**-**
Total revenues	**1,135**	**654**	**478**	**121**	**2,388**
Profit before income tax[3]	**173**	**193**	**392**	**101**	**859**
Unaudited 9 months to 30/06/2009					
External revenues[3]	2,036	1,758	80	(1,454)	2,420
Intersegment revenues	(1,037)	(1,109)	549	1,597	-
Total revenues	999	649	629	143	2,420
Profit before income tax[3]	59	242	423	74	798
Audited year to 30/09/2009					
External revenues[3]	2,646	2,260	15	(1,805)	3,116
Intersegment revenues	(1,300)	(1,397)	741	1,956	-
Total revenues	1,346	863	756	151	3,116
Profit before income tax[3]	36	171	493	65	765

[1] Results are equity standardised.

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

[3] Includes a loss of $67 million (30/06/2009 nil; 30/09/2009 nil) on acquisition of ING NZ and a charge of $nil (30/06/2009 $211 million; 30/09/2009 $211 million) in relation to ING NZ funds.

[4] The Other segment has negative external revenues as this segment incurs funding costs on behalf of the Banking Group, and is reimbursed internally.

Notes to the Financial Statements (continued)

19. Notes to the Cash Flow Statement

$millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities			
Profit after income tax	**610**	561	298
Non-cash items:			
Depreciation and amortisation	**48**	35	50
Provision for credit impairment	**392**	528	874
Deferred fee revenue and expenses	**(6)**	4	(8)
Share-based payments expense	**15**	14	18
Amortisation of capitalised brokerage / mortgage origination fees	**27**	38	50
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	**(805)**	(3,447)	(1,874)
Change in interest receivable	**11**	139	138
Change in interest payable	**(106)**	(279)	(295)
Change in accrued income	**(2)**	(2)	1
Change in accrued expenses	**56**	43	42
Change in provisions	**(51)**	180	100
Amortisation of premiums and discounts	**22**	77	76
Change in insurance policy assets	**(33)**	-	-
Change in insurance investment assets	**(8)**	-	-
Change in net income tax assets and liabilities	**(363)**	(183)	141
Items classified as investing / financing:			
Share of profit of equity accounted associates and jointly controlled entities	**(37)**	(10)	(11)
Impairment of associates	**4**	-	-
Remeasuring existing equity interests to fair value	**67**	-	-
Loss / (gain) on disposal of premises, equipment and intangibles	**8**	(17)	(13)
Net cash flows from / (used in) operating activities	**(151)**	(2,319)	(413)

Reconciliation of core liquidity portfolio to cash and cash equivalents

The definition of cash and cash equivalents is narrower than the Banking Group's core liquidity portfolio of assets that could be readily converted into cash if required. This portfolio comprises:

$millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Cash and balances with central banks	**1,427**	1,445	2,207
Securities purchased under agreement to resell	**301**	275	1,075
Certificates of deposit	**876**	4,459	2,736
Government and local body stock and bonds	**3,311**	1,225	1,102
Available-for-sale assets	**1,454**	622	1,435
Other bank bonds	**2,957**	1,625	2,522
Total liquidity portfolio	**10,326**	9,651	11,077
Reconciliation to cash and cash equivalents:			
Other cash items not included within liquidity portfolio:			
Liquid assets not with central banks	**479**	631	555
Due from other financial institutions – less than 90 days	**247**	324	550
Non-cash items included within liquidity portfolio			
Trading securities	**(6,606)**	(2,525)	(3,624)
Available-for-sale assets	**(1,454)**	(622)	(1,435)
Due from other financial institutions – greater than 90 days	**(488)**	(3,997)	(2,358)
Total cash and cash equivalents	**2,504**	3,462	4,765
Reconciliation of cash and cash equivalents to the balance sheet			
Liquid assets	**1,906**	2,076	2,762
Due from other financial institutions – less than 90 days	**598**	1,386	2,003
Total cash and cash equivalents	**2,504**	3,462	4,765

Notes to the Financial Statements (continued)

20. Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

Securitisation

In October 2008, the Banking Group established an in-house residential mortgage backed securities facility that could issue securities meeting RBNZ criteria. As at 30 June 2010 the rights to cash flows associated with residential mortgages with a carrying value of $5,985 million (30/06/2009 $6,092 million; 30/2009/09 $5,687 million) were held in the facility. These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore the Banking Group's financial statements do not change as a result of establishing these facilities.

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 and investment advisory 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 and investment advisory 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.

Insurance business

The Banking Group conducts insurance business through subsidiaries of ING NZ – the assets, liabilities and operations of which are fully consolidated into the Banking Group since its acquisition. Previously the Banking Group did not conduct any insurance business directly, although it held a 49% ownership share in ING NZ. The Banking Group also markets and distributes a range of insurance products which are underwritten by subsidiaries of ING NZ, as well as third party insurance companies.

The insurance business comprises risk transfer and investment contract life insurance products. The aggregate insurance business conducted by companies in the Banking Group comprises assets totalling $349 million (30/06/2009 $nil; 30/09/2009 $nil) which is 0.3% (30/06/2009 0.0%; 30/09/2009 0.0%) of the total consolidated assets of the Banking Group.

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, except standard lending facilities provided in the normal course of business on arm's length terms, to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group (30/06/2009 $nil; 30/09/2009 $nil).

21. Notional Value of Derivatives

	Nominal value		
$millions	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Audited 30/09/2009
Exchange rate derivatives	**133,303**	101,243	102,435
Interest rate derivatives	**504,605**	478,051	485,664
Commodity derivatives	**74**	44	36
Total derivatives	**637,982**	579,338	588,135

Notes to the Financial Statements (continued)

22. Credit Related Commitments and Contingent Liabilities

$millions	Nominal or contract value		
	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Credit related commitments			
Commitments with certain drawdown due within one year	**582**	792	735
Commitments to provide financial services	**21,286**	23,181	22,094
Total credit related commitments	**21,868**	23,973	22,829
Contingent liabilities			
Financial guarantees	**1,666**	1,799	1,753
Standby letters of credit	**53**	440	341
Transaction related contingent items	**878**	1,033	982
Trade related contingent liabilities	**97**	77	89
Total contingent liabilities	**2,694**	3,349	3,165

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

Commerce Commission

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

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

In particular the Bank is aware that the Commerce Commission is investigating the level of default fees charged on credit cards, the level of currency conversion charges on overseas transactions using credit cards and also informal excess arrangements on credit cards under the CCCFA. At this stage the possible outcome of these investigations and any liability or impact on fees cannot be determined with any certainty. The Commission has concluded its investigation into early repayment charges on fixed rate mortgages and credit card late payment fees, with no action being taken against the Bank.

ING NZ Funds

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

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

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

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

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

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

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

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 2010, there were no other contingent assets or liabilities required to be disclosed (30/6/2009 nil; 30/09/2009 nil).

Notes to the Financial Statements (continued)

23. Business Combinations

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

As part of the transaction the Banking Group also purchased ING Groep's 51% interests in the Funds, taking its ownership interest to over 99% of the Funds.

$millions	Unaudited
Fair values of assets acquired and liabilities assumed as at acquisition date (provisional)	
Due from financial institutions	142
Available-for-sale assets	173
Investments relating to insurance business	40
Insurance policy assets	81
Shares in associates	1
Other assets[1]	24
Deferred tax assets	21
Premises and equipment	4
Intangible assets	223
Total assets	709
Due to financial institutions	30
Payables and other liabilities	27
Current tax liabilities	27
Provisions[2]	93
Total liabilities	177
Net assets	532
Non-controlling interests in the Funds[3]	1
Net assets attributable to the Banking Group	531
Book value of existing equity interests	351
Loss on re-measuring existing equity interests to fair value[4]	(82)
Acquisition date fair value of existing equity interests	269
Cash consideration transferred	247
Total consideration	516
Total consideration less net assets acquired[4]	(15)

[1] Includes receivables with a fair value of $16 million and a gross contractual amount receivable of $17 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected on these receivables is $1 million.

[2] Includes employee related provisions and the fair value of contingent liabilities, which relate to possible claims by investors in the Funds and investigations by regulatory bodies and other actual and potential claims and proceedings (refer to the Credit Related Commitments and Contingent Liabilities note). The expected timing and ultimate cost of contingent liabilities to the Banking Group will depend on the assessment and outcome of customer complaints, and the results of any litigation and regulatory investigations or proceedings that may be brought.

[3] Non-controlling interests are measured at their proportionate share of the identifiable net assets of the Funds.

[4] The loss on re-measuring existing equity interests of $82 million has been offset by a gain of $15 million as a result of the value of the net assets acquired being greater than the total consideration. The net loss, of $67 million, has been recognised in Other Operating Income in the Income Statement.

Included in the Banking Group's Income Statement and Statement of Comprehensive Income since 30 November 2009 is net operating income of $104 million and profit before tax of $45 million, excluding integration costs, contributed by ING NZ and the Funds. Had ING NZ and the Funds been consolidated from 1 October 2009, the Banking Group's Income Statement and Statement of Comprehensive Income would have included, for the nine months ended 30 June 2010, net operating income of $131 million and profit before tax of $55 million. Acquisition costs were paid by the Ultimate Parent Bank.

The initial accounting for the business combination, including the fair values of the assets acquired and liabilities assumed and the calculation of goodwill, is provisional while valuations of the assets acquired and liabilities assumed are finalised.

24. Subsequent Events

On 13 August 2010 the Directors of the Bank resolved to pay an ordinary dividend of $600 million no later than 30 September 2010. On 27 July 2010 the Bank agreed to sell $1.7 billion of residential mortgages to, and purchase $0.8 billion of residential mortgages from, the NZ Branch. There have been no other material subsequent events.

Conditions of Registration

Conditions of Registration, applicable as at 13 August 2010. These Conditions of Registration have applied from 30 March 2010.

There have been no changes in the Bank's conditions of registration since the issuance of the last General Disclosure Statement dated 21 May 2010.

The registration of 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%.

   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.

Conditions of Registration (continued)

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 disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the 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 Service. (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.

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.

Conditions of Registration (continued)

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 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.

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.

13. That the Banking Group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:

    (a) the one-week mismatch ratio of the Banking Group is not less than zero percent at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than zero percent at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 65 percent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated March 2010 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated March 2010.

14. That, with effect from 1 April 2010, the Registered Bank has an internal framework for liquidity risk management that is adequate in the Registered Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

    (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and

    (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

    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 13 August 2010

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 Positive

On 20 May 2010, Fitch changed the outlook on the Bank from Stable to Positive. During the two year period ended 30 June 2010 there were no other changes to the Bank's credit ratings or qualifications.

	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

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

(i) The 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 Disclosure Statement is not false or misleading.

Over the nine months ended 30 June 2010, 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 13 August 2010. On that date, the Directors of the Bank were:

Dr D T Brash

S C Elliott

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 to the Directors of ANZ National Bank Limited

We have reviewed the interim financial statements on pages 5 to 29 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 2010. This information is stated in accordance with the accounting policies set out on page 9.

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 give a true and fair view of the financial position of the Banking Group as at 30 June 2010 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 causes us to believe that:

a. the interim financial statements (excluding the supplementary information disclosed in Notes 15, 16, 17 and 20) do not present a true and fair view of the financial position of the Banking Group as at 30 June 2010 and its financial performance and cash flows for the nine months ended on that date;

b. the supplementary information disclosed in Notes 16, 17 and 20 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 15 of the interim financial statements, as required by Schedule 4B of the Order, is not in all material respects prepared 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 13 August 2010 and our review opinion is expressed as at that date.

KPMG

Wellington

ANZ National Bank Limited anzacc1474 08/10