

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2009 | NUMBER 5 ISSUED FEBRUARY 2010



GENERAL SHORT FORM DISCLOSURE STATEMENT

FOR THE THREE MONTHS
ENDED 31 DECEMBER 2009

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GENERAL DISCLOSURES

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

In this Disclosure Statement unless the context otherwise requires:

- (a) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;
- (b) "Overseas Bank" or "Ultimate Parent Bank" means the worldwide operations of Australia and New Zealand Banking Group Limited excluding its controlled entities;
- (c) "NZ Banking Group" means the aggregated NZ operations of Australia and New Zealand Banking Group Limited, including those operations conducted through the New Zealand Branch and controlled entities of the Overseas Bank registered in New Zealand;
- (d) "NZ Branch" or "Registered Bank" means the New Zealand operations of Australia and New Zealand Banking Group Limited, as conducted through the NZ Branch;
- (e) "Bank" means ANZ National Bank Limited;
- (f) "RBNZ" means the Reserve Bank of New Zealand;
- (g) Any term or expression which is defined in, or in the manner prescribed by, the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Registered Banks) Order 2008 shall have the meaning given in or prescribed by that Order.

GENERAL MATTERS

Australia and New Zealand Banking Group Limited - New Zealand Branch ("NZ Branch") was registered as a bank on 5 January 2009. The full name of the NZ Branch is Australia and New Zealand Banking Group Limited - New Zealand Branch and its address for service is Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington, New Zealand. From 1 March 2010, the address for service will be Level 6, 1 Victoria Street, Wellington, New Zealand.

The full name of the Overseas Bank is Australia and New Zealand Banking Group Limited and its address for service is Level 14, 100 Queen Street, Melbourne, Australia.

NATURE OF BUSINESS

The principal activities of the NZ Banking Group during the period were retail, corporate and rural banking, mortgage lending, asset and general finance, and international and investment banking.

RANKING OF LOCAL CREDITORS IN LIQUIDATION

There are material legislative restrictions in the Overseas Bank's country of incorporation which subordinate the claims of a class of unsecured creditors of the Registered Bank on the assets of the Overseas Bank to those of another class of unsecured creditors of the Overseas Bank, in liquidation of the Overseas Bank.

The Banking Act 1959 of the Commonwealth of Australia (the "Banking Act") gives priority over Australian assets of the Overseas Bank to deposits/liabilities in Australia if the Overseas Bank is unable to meet its obligations or suspends payment. Accordingly, deposits/liabilities in New Zealand (together with all other senior unsecured creditors of the Overseas Bank) will rank after deposits/liabilities in Australia of the Overseas Bank in relation to claims against Australian assets.

Specifically, pursuant to section 13A(3) of the Banking Act, if an Authorised Deposit-Taking Institution (defined in that Act to include a Bank like the Overseas Bank) (an "ADI") becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's liabilities in the following order:

- (a) first, the ADI's liabilities to the Australian Prudential Regulation Authority ("APRA") (if any), because of the rights APRA has against the ADI because APRA has made, or is required to make, payments to depositors under the Financial Claims Scheme (defined below);
- (b) second, the ADI's debts to APRA for costs incurred by APRA in administration of the Financial Claims Scheme in respect of the ADI;
- (c) third, in payment of the ADI's deposit liabilities in Australia (other than liabilities covered under paragraph (a)); and
- (d) fourth, the ADI's other liabilities (in order of priority apart from section 13A(3)).

Under section 13A(1) of the Banking Act, in certain circumstances APRA may take control of an ADI's business or appoint an administrator (defined in the Banking Act) to take control of the ADI's business. Section 16(1) and (2) of the Banking Act provide that, despite anything contained in any law relating to the winding up of companies, but subject to section 13A(3) of the Banking Act, the debts of an ADI to APRA in respect of APRA's costs (including costs in the nature of remuneration and expenses) of being in control of the ADI's business or of having an administrator in control of the ADI's business have priority in a winding-up of the ADI over all other unsecured debts.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
GENERAL DISCLOSURES (CONTINUED)

Section 86 of the Reserve Bank Act provides that notwithstanding anything contained in any law relating to the winding up of companies, but subject to section 13A(3) of the Banking Act, debts due to the Reserve Bank of Australia by any ADI shall, in a winding up, have priority over all other debts other than debts due to the Commonwealth of Australia.

Section 13A(3) of the Banking Act affects all of the unsecured deposit liabilities of the NZ Branch which as at 31 December 2009 amounted to \$nil (31/12/2008 \$nil; 30/09/2009 \$nil).

REQUIREMENT TO HOLD EXCESS ASSETS OVER DEPOSIT LIABILITIES

Section 13A(4) of the Banking Act states that it is an offence for an ADI not to hold assets (other than goodwill) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless APRA has authorised the ADI to hold assets of a lesser value. During the three months ended 31 December 2009, the Overseas Bank has at all times held assets (other than goodwill) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia. The requirements of this section of the Act have the potential to impact on the management of the liquidity of the NZ Banking Group.

GUARANTEES

The Overseas Bank has guarantees from the Commonwealth of Australia under:

- (a) in the case of deposits and certain other accounts up to A\$1 million, a scheme (The "Financial Claims Scheme") pursuant to the Financial System Legislation Amendment (Financial Claims Scheme and Other Measures) Act 2008 of the Commonwealth of Australia (The "Financial Claims Scheme Act");
- (b) in the case of wholesale funding, by a Deed of Guarantee executed by the Treasurer (and related scheme rules) (the "Wholesale Funding Guarantee").

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

Financial Claims Scheme

Under the Financial Claims Scheme if:

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

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

A protected account includes accounts or covered financial products (defined below) kept by an account holder with an ADI and either:

- requiring the ADI to pay the account holder, on demand by the account holder or at a time agreed by them, the net credit balance of the account at the time of the demand or the agreed time; and
- an account prescribed by regulations.

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

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

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

GENERAL DISCLOSURES (CONTINUED)

Wholesale Funding Guarantee

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

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

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

In order to have the Wholesale Funding Guarantee apply, an ADI must apply to the Reserve Bank of Australia for an eligibility certificate. Fees will also be payable, calculated by reference to the term and amount of the liabilities guaranteed and the credit rating of the ADI (as at the date of this document, the fee which will apply to the Overseas Bank based on its rating by Standard and Poor's of AA, is 70 basis points per annum applied in respect of its guaranteed liabilities in accordance with the Wholesale Funding Guarantee). The fees will be levied on a monthly basis. An ADI may apply for an eligibility certificate in respect of a programme under which it issues debt instruments from time to time or on a series-by-series basis.

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

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

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

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

In the case of all instruments, they may be issued in bearer, registered or dematerialised form. An instrument will not be granted an eligibility certificate unless it is "not complex". The Government has published a list of the features that are likely to be regarded by the Government as "complex" at www.guaranteescheme.gov.au.

If the Australian Government does not perform its obligations under the Wholesale Funding Guarantee, a beneficiary of the guarantee could sue the Commonwealth of Australia under the Judiciary Act 1903 of Australia. In such a suit, the rights of parties are as nearly as possible the same as in a suit between subjects of the Commonwealth of Australia. Jurisdiction to hear claims against the Commonwealth of Australia in contract is vested in certain Australian courts under the Judiciary Act 1903 of Australia. If a judgment is obtained against the Australian Government, no execution or attachment can be issued against the property or revenues of the Commonwealth of Australia. However, if any judgment is given against the Australian Government, the Minister

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GENERAL DISCLOSURES (CONTINUED)

Wholesale Funding Guarantee (Continued)

for Finance is obliged to satisfy the judgment out of money legally available, on receipt of a certificate of the judgment issued by an officer of a court in which such judgment has been obtained.

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

The Wholesale Funding Guarantee is subject to being withdrawn or changed, which may have a negative impact on the availability of funding in the markets in which the Overseas Bank operates.

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

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

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

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

The name of the Guarantor and address for service is: The Scheme Administrator, Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding, c/- The Secretary, Reserve Bank of Australia, GPO Box 5367, Sydney, New South Wales 2001, Australia.

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

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

New Zealand Guarantee Arrangements

The Crown guarantees retail deposits and wholesale funding of participating New Zealand financial institutions under the New Zealand Deposit Guarantee Scheme and New Zealand Wholesale Funding Guarantee Facility respectively. The Registered Bank does not have a guarantee under either Scheme.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
GENERAL DISCLOSURES (CONTINUED)

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 NZ Banking Group that may have a material adverse effect on the NZ Banking Group as at the date of the General Short Form Disclosure Statement.

Further details on pending proceedings or arbitration are set out in Note 26 Contingent Liabilities, Credit Related Commitments and Market Related Contracts.

OTHER MATERIAL MATTERS

There are no matters relating to the business or affairs of the NZ Branch and the NZ 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 NZ Branch or any member of the NZ Banking Group is the issuer.

SUPPLEMENTAL DISCLOSURE STATEMENT

A copy of the most recent Supplemental Disclosure Statement for the three months ended 31 December 2009 can be obtained immediately where request is made within normal banking hours at Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington (at Level 6, 1 Victoria Street, Wellington, New Zealand effective 1 March 2010). It is also available at no charge:

- (a) on the NZ Banking Group's website at www.anz.com;
- (b) immediately if request is made at the NZ Banking Group's head office; 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 NZ Banking Group's most recent Supplemental Disclosure Statement contains a copy of the 30 September 2009 Annual Report for the Overseas Banking Group and a copy of the Deed of Guarantee for the Guarantee Scheme.

FINANCIAL STATEMENTS OF THE OVERSEAS BANK AND OVERSEAS BANKING GROUP

Copies of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided immediately, free of charge, to any person requesting a copy where the request is made at Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington (at Level 6, 1 Victoria Street, Wellington, New Zealand effective 1 March 2010). The most recent publicly available financial statements for the Overseas Bank and Overseas Banking Group can also be accessed at the internet address www.anz.com.

DIRECTORATE

Since the authorisation date of the previous General Disclosure Statement on 24 November 2009, Mr J K Ellis retired as an Independent Non-Executive Director on 18 December 2009.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

**INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009**

	Note	NZ Banking Group		
		Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
Interest income		1,547	2,312	7,479
Interest expense		975	1,774	5,181
Net interest income		572	538	2,298
Net trading gains		19	70	187
Funds management and insurance income		36	24	97
Other operating income		181	66	383
Share of profit of equity accounted associates and jointly controlled entities		36	6	13
Operating income		844	704	2,978
Operating expenses		375	375	1,479
Profit before provision for credit impairment and income tax		469	329	1,499
Provision for credit impairment	10	152	94	883
Profit before income tax		317	235	616
Income tax expense	3	64	68	422
Profit after income tax		253	167	194

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009**

	NZ Banking Group		
	Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
Profit after income tax	253	167	194
Available-for-sale revaluation reserve:			
- Valuation gain taken to equity	22	10	2
Cash flow hedging reserve:			
- Valuation gain (loss) taken to equity	4	25	(1)
- Transferred to income statement	13	(9)	(3)
Actuarial loss on defined benefit schemes	-	-	(25)
Income tax (expense) credit on items recognised directly in equity	(5)	(7)	10
Net income (expense) recognised directly in equity	34	19	(17)
Total comprehensive income for the period	287	186	177

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

**STATEMENT OF CHANGES IN EQUITY AND HEAD OFFICE ACCOUNT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009**

	Note	NZ Banking Group		
		Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
Ordinary share capital & Head Office account				
Balance at beginning of the period		6,424	5,413	5,413
Movement in Head Office account		-	-	11
Redeemable preference shares issued in the period		-	-	1,000
Balance at end of the period	16	6,424	5,413	6,424
Available-for-sale revaluation reserve				
Balance at beginning of the period		25	23	23
Valuation gain recognised after tax		22	7	2
Balance at end of the period		47	30	25
Cash flow hedging reserve				
Balance at beginning of the period		23	24	24
Valuation gain recognised after tax		3	18	-
Transferred to income statement		9	(6)	(1)
Balance at end of the period		35	36	23
Total reserves		82	66	48
Retained earnings				
Balance at beginning of the period		843	1,667	1,667
Profit after income tax attributable to parent		253	167	194
Total available for appropriation		1,096	1,834	1,861
Actuarial loss on defined benefit schemes after tax		-	-	(18)
Interim ordinary dividend paid		-	-	(1,000)
Balance at end of the period		1,096	1,834	843
Minority interests				
Balance at beginning of the period		-	-	-
Minority interests in acquired subsidiaries	27	1	-	-
Balance at end of the period		1	-	-
Total equity & Head Office account				
Balance at beginning of the period		7,315	7,127	7,127
Total comprehensive income for the period		287	186	177
Transactions with Head Office		-	-	11
Other transactions	27	1	-	-
Balance at end of the period		7,603	7,313	7,315

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Note	NZ Banking Group		
		Unaudited	Unaudited	Audited
		31/12/2009	31/12/2008	30/09/2009
		\$m	\$m	\$m
Assets				
Liquid assets	4	2,870	3,050	2,762
Due from other financial institutions	5	4,562	7,127	4,514
Trading securities	6	5,910	2,484	4,166
Derivative financial instruments		7,970	15,148	11,015
Available-for-sale assets	7	2,458	101	1,513
Net loans and advances	8	95,519	99,268	97,024
Investments relating to insurance business		40	-	-
Insurance policy assets		81	-	-
Shares in associates and jointly controlled entities		148	370	464
Current tax assets		24	24	115
Other assets		896	935	1,141
Deferred tax assets		434	164	-
Premises and equipment		298	247	278
Goodwill and other intangible assets		3,543	3,325	3,322
Total assets		124,753	132,243	126,314
Liabilities				
Due to other financial institutions	11	11,347	6,395	12,514
Deposits and other borrowings	12	72,970	74,145	71,764
Derivative financial instruments		8,857	13,962	10,974
Payables and other liabilities		1,559	1,704	1,547
Current tax liabilities		-	-	-
Deferred tax liabilities		-	-	15
Provisions		375	355	283
Bonds and notes	13	17,671	23,777	17,540
Loan capital	14	2,605	2,826	2,596
Term funding	15	1,766	1,766	1,766
Total liabilities (excluding Head Office Account)		117,150	124,930	118,999
Net assets (excluding Head office Account)		7,603	7,313	7,315
Represented by:				
Ordinary share capital & Head Office account	16	6,424	5,413	6,424
Reserves		82	66	48
Retained earnings		1,096	1,834	843
Share capital and reserves attributable		7,602	7,313	7,315
Minority interests		1	-	-
Total equity and Head Office account		7,603	7,313	7,315

**CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009**

	NZ Banking Group		
	Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	1,500	2,199	7,368
Dividends received	-	-	3
Fees and other income received	337	161	945
Interest paid	(979)	(1,670)	(5,137)
Operating expenses paid	(375)	(201)	(1,483)
Income taxes (paid) received	(368)	8	(338)
Cash flows from operating profits before changes in operating assets and liabilities	115	497	1,358
Net changes in operating assets and liabilities:			
Decrease (increase) in due from other financial institutions - term	1,795	(1,420)	(246)
(Increase) decrease in trading securities	(1,746)	162	(1,505)
Decrease (increase) in derivative financial instruments	1,230	3,147	(3,494)
(Increase) decrease in available-for-sale assets	(738)	17	(1,388)
Decrease (increase) in loans and advances	1,158	(872)	43
Decrease (increase) in other assets	278	66	(165)
(Decrease) increase in due to other financial institutions	(1,353)	3,084	9,630
(Decrease) increase in deposits	(455)	1,188	672
Increase (decrease) in other borrowings	1,350	(5,178)	(4,637)
Increase (decrease) in payables and other liabilities	8	(141)	(167)
Net cash flows from operating activities	1,642	550	101
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	33	33
Proceeds from sale of software	-	-	3
Purchase of shares in associates and jointly controlled entities	-	(1)	(92)
Purchase of shares in subsidiary entities	(247)	-	-
Purchase of intangible assets	(2)	(19)	(21)
Purchase of premises and equipment	(32)	(30)	(95)
Net cash flows used in investing activities	(279)	(17)	(172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bonds and notes	2,121	135	5,012
Redemptions of bonds and notes	(1,692)	(1,868)	(7,751)
Redemptions of loan capital	-	-	(225)
Proceeds from issue of redeemable preference shares	-	-	1,000
Dividends paid	-	-	(1,000)
Cash contributed from Head Office	-	-	11
Net cash flows from (used in) financing activities	429	(1,733)	(2,953)
Net cash flows from operating activities	1,642	550	101
Net cash flows used in investing activities	(279)	(17)	(172)
Net cash flows from (used in) financing activities	429	(1,733)	(2,953)
Net increase (decrease) in cash and cash equivalents	1,792	(1,200)	(3,024)
Cash and cash equivalents at beginning of the period	4,766	7,790	7,790
Cash and cash equivalents at end of the period¹	6,558	6,590	4,766

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

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 - Overseas Incorporated Registered Banks) Order 2008. These financial statements should be read in conjunction with the NZ Banking Group's 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

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) have been applied by the NZ Banking Group for the three months ended 31 December 2009.

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 NZ 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 NZ Banking Group.

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

(iv) Presentation currency and rounding

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

(v) Basis of aggregation

These financial statements aggregate the financial statements of the New Zealand geographic activities of Australia and New Zealand Banking Group Limited as conducted through the NZ Branch and its controlled entities in New Zealand, the NZ Banking Group.

(vi) Comparatives

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

2. RISK MANAGEMENT POLICIES

A number of new and existing types of risk have been recognised following the consolidation of the ING (NZ) Holdings Limited group ("ING NZ") into the NZ Banking Group. The new risks relate to ING NZ's insurance, real estate management and funds management business. The new risks identified are not considered material to the NZ Banking Group. At 31 December 2009 the ING NZ risk management approaches have not been aligned or integrated with the rest of the NZ Banking Group. However, ING NZ identifies, controls and monitors these risks through a set of policies and a risk management framework which is broadly in line with that in place across the NZ Banking Group.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INCOME TAX EXPENSE

	NZ Banking Group		
	Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
Income tax expense before tax provisions	112	68	182
(Release of) / additional tax provisions	(48)	-	240
Income tax expense	64	68	422
Effective tax rate (%) before release of tax provisions	35.3%	28.9%	29.5%
Effective tax rate (%)	20.2%	28.9%	68.5%

4. LIQUID ASSETS

Cash and balances with central banks	2,425	2,386	2,373
Money at call	363	586	341
Bills receivable and remittances in transit	82	78	48
Total liquid assets	2,870	3,050	2,762
Included within liquid assets is the following balance:			
Overnight balances with central banks	2,141	2,112	2,207

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

Able to be withdrawn without prior notice	164	254	172
Securities purchased under agreement to resell	339	592	1,083
Security settlements	128	-	370
Certificates of deposit	1,122	4,891	2,338
Reserve Bank bills	100	-	398
Term loans and advances	2,709	1,390	153
Total due from other financial institutions	4,562	7,127	4,514
Included within due from other financial institutions is the following related party balance:			
Ultimate Parent Bank	929	-	-

6. TRADING SECURITIES

Government, Local Body stock and bonds	2,599	430	1,389
Certificates of deposit	587	392	191
Promissory notes	56	177	28
Other bank bonds	2,592	1,369	2,475
Other	76	116	83
Total trading securities	5,910	2,484	4,166
Included within trading securities is the following balance:			
Assets encumbered through repurchase agreements	101	131	159

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. AVAILABLE-FOR-SALE ASSETS

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Government, Local Body stock and bonds	2,159	3	1,394
Other debt securities	213	34	48
Equity securities	86	64	71
Total available-for-sale assets	2,458	101	1,513

8. NET LOANS AND ADVANCES

Overdrafts	1,954	1,855	2,087
Credit card outstandings	1,457	1,488	1,402
Term loans - housing ¹	53,480	53,498	53,458
Term loans - non-housing	39,069	41,506	40,231
Finance lease receivables	690	769	683
Gross loans and advances	96,650	99,116	97,861
Provision for credit impairment (Note 10)	(1,370)	(725)	(1,281)
Unearned finance income	(258)	(330)	(262)
Fair value hedge adjustment	480	1,163	681
Deferred fee revenue and expenses	(55)	(58)	(53)
Capitalised brokerage/ mortgage origination fees	72	102	78
Total net loans and advances	95,519	99,268	97,024

1. The NZ Banking Group has entered into repurchase agreements for residential mortgage-backed securities with the RBNZ with a book value of \$200 million (31/12/2008 \$1,370 million; 30/09/2009 \$1,806 million). The underlying collateral accepted by the RBNZ under this transaction are mortgages to the value of \$246 million (31/12/2008 \$1,711 million; 30/09/2009 \$2,250 million).

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Individually impaired assets

	NZ Banking Group			Total \$m
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	
Unaudited 31/12/2009				
Balance at beginning of the period	387	59	740	1,186
Transfers from productive	162	56	226	444
Transfers to productive	(7)	-	(28)	(35)
Assets realised or loans repaid	(99)	(11)	(98)	(208)
Write offs	(16)	(31)	(11)	(58)
Individually impaired asset balance at end of the period	427	73	829	1,329
Restructured assets	7	-	-	7
Total impaired assets	434	73	829	1,336
Unaudited 31/12/2008				
Balance at beginning of the period	83	30	214	327
Transfers from productive	71	82	27	180
Transfers to productive	(5)	(14)	(15)	(34)
Assets realised or loans repaid	(17)	(22)	(12)	(51)
Write offs	(2)	(33)	(4)	(39)
Individually impaired asset balance at end of the period	130	43	210	383
Restructured assets	-	-	-	-
Total impaired assets	130	43	210	383
Audited 30/09/2009				
Balance at beginning of the year	83	30	214	327
Transfers from productive	586	243	882	1,711
Transfers to productive	(22)	(20)	(25)	(67)
Assets realised or loans repaid	(232)	(45)	(230)	(507)
Write offs	(28)	(149)	(101)	(278)
Individually impaired asset balance at end of the year	387	59	740	1,186
Restructured assets	-	2	-	2
Total impaired assets	387	61	740	1,188

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 NZ 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 NZ Banking Group's cost of funds.

At 31 December 2009, loans and advances of \$606 million were renegotiated in the NZ Banking Group (31/12/2008 \$45 million; 30/09/2009 \$266 million).

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Retail mortgages \$m	NZ Banking Group Other retail exposures \$m	Corporate exposures \$m	Total \$m
Unaudited 31/12/2009				
Balance at end of period				
Past due assets (90 days past due assets) ¹	223	57	106	386
Other assets under administration	1	-	8	9
Undrawn facilities with impaired customers	-	-	49	49
Interest not recognised on impaired assets	7	3	18	28
Unaudited 31/12/2008				
Balance at end of period				
Past due assets (90 days past due assets) ¹	312	61	57	430
Other assets under administration	-	-	7	7
Undrawn facilities with impaired customers	-	-	10	10
Interest not recognised on impaired assets	3	1	4	8
Audited 30/09/2009				
Balance at end of year				
Past due assets (90 days past due assets) ¹	276	59	111	446
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	32	32
Interest not recognised on impaired assets	18	3	35	56

There are no undrawn facilities with 90 day past due customers or customers within the other assets under administration category as at 31 December 2009 (31/12/2008 \$nil; 30/09/2009 \$nil).

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROVISION FOR CREDIT IMPAIRMENT

	NZ Banking Group			
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	Total \$m
Unaudited 31/12/2009				
Collective provision				
Balance at beginning of the period	127	159	518	804
(Credit) charge to income statement	(3)	(1)	4	-
Balance at end of the period	<u>124</u>	<u>158</u>	<u>522</u>	<u>804</u>
Individual provision (individually impaired assets)				
Balance at beginning of the period	156	40	281	477
Charge to income statement	59	28	65	152
Recoveries of amounts previously written off	1	4	-	5
Bad debts written off	(16)	(31)	(11)	(58)
Discount unwind ¹	(3)	(1)	(6)	(10)
Balance at end of the period	<u>197</u>	<u>40</u>	<u>329</u>	<u>566</u>
Total provision for credit impairment	<u>321</u>	<u>198</u>	<u>851</u>	<u>1,370</u>
Unaudited 31/12/2008				
Collective provision				
Balance at beginning of the period	81	164	289	534
Charge (credit) to income statement	1	(1)	22	22
Balance at end of the period	<u>82</u>	<u>163</u>	<u>311</u>	<u>556</u>
Individual provision (individually impaired assets)				
Balance at beginning of the period	28	10	94	132
Charge to income statement	12	37	23	72
Recoveries of amounts previously written off	-	5	-	5
Bad debts written off	(4)	(32)	(3)	(39)
Discount unwind ¹	-	-	(1)	(1)
Balance at end of the period	<u>36</u>	<u>20</u>	<u>113</u>	<u>169</u>
Total provision for credit impairment	<u>118</u>	<u>183</u>	<u>424</u>	<u>725</u>
Audited 30/09/2009				
Collective provision				
Balance at beginning of the year	81	164	289	534
Charge (credit) to income statement	46	(5)	229	270
Balance at end of the year	<u>127</u>	<u>159</u>	<u>518</u>	<u>804</u>
Individual provision (individually impaired assets)				
Balance at beginning of the year	28	10	94	132
Charge to income statement	155	161	297	613
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	<u>156</u>	<u>40</u>	<u>281</u>	<u>477</u>
Total provision for credit impairment	<u>283</u>	<u>199</u>	<u>799</u>	<u>1,281</u>

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.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)

Provision movement analysis	NZ Banking Group			Total \$m
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	
Unaudited 31/12/2009				
New and increased provisions	66	32	93	191
Provision releases	(6)	-	(28)	(34)
	60	32	65	157
Recoveries of amounts previously written off	(1)	(4)	-	(5)
	59	28	65	152
Individual provision charge	(3)	(1)	4	-
Collective provision charge				
Charge to income statement	56	27	69	152
Unaudited 31/12/2008				
New and increased provisions	12	42	25	79
Provision releases	-	-	(2)	(2)
	12	42	23	77
Recoveries of amounts previously written off	-	(5)	-	(5)
	12	37	23	72
Individual provision charge	1	(1)	22	22
Collective provision charge				
Charge to income statement	13	36	45	94
Audited 30/09/2009				
New and increased provisions	165	182	316	663
Provision releases	(9)	(3)	(18)	(30)
	156	179	298	633
Recoveries of amounts previously written off	(1)	(18)	(1)	(20)
	155	161	297	613
Individual provision charge	46	(5)	229	270
Collective provision charge				
Charge to income statement	201	156	526	883

11. DUE TO OTHER FINANCIAL INSTITUTIONS

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	10,161	3,125	9,286
Securities sold under agreements to repurchase from other financial institutions	101	31	159
Securities sold under agreements to repurchase from central banks ¹	200	1,720	1,806
Other financial institutions	885	1,519	1,263
Total due to other financial institutions	11,347	6,395	12,514

Included within due to other financial institutions are the following balances:

Balances owing to the Ultimate Parent Bank by			
ANZ National (Int'l) Limited guaranteed by the Bank	483	3,125	485
Australia and New Zealand Banking Group Limited - NZ Branch	9,678	-	8,801

1. The NZ Banking Group has entered into repurchase agreements for residential mortgage-backed securities with the RBNZ with a book value of \$200 million (31/12/2008 \$1,370 million; 30/09/2009 \$1,806 million). The underlying collateral accepted by the RBNZ under this transaction are mortgages to the value of \$246 million (31/12/2008 \$1,711 million; 30/09/2009 \$2,250 million).

These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore the NZ Banking Group's financial statements do not change as a result of establishing these facilities. The net effect on the NZ Banking Group is to reflect additional cash or liquid assets and a liability being Securities sold under agreements to repurchase from central banks.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. DEPOSITS AND OTHER BORROWINGS

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Amortised cost			
Certificates of deposit	3,028	6,493	4,441
Term deposits	34,232	30,714	32,997
Demand deposits bearing interest	20,482	22,662	21,024
Deposits not bearing interest	4,821	4,127	4,373
Secured debenture stock	1,383	1,796	1,537
Total deposits and other borrowings recognised at amortised cost	63,946	65,792	64,372
Fair value through the profit or loss			
Commercial paper	9,024	8,353	7,392
Total deposits and other borrowings recognised at fair value	9,024	8,353	7,392
Total deposits and other borrowings	72,970	74,145	71,764

The NZ Banking Group has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the three months ended 31 December 2009 (31/12/2008 \$nil; 30/09/2009 \$nil). Deposits from customers are unsecured and rank equally with other unsecured liabilities of the NZ Banking Group. In the unlikely event that the Bank was put into liquidation or ceased to trade, secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

Included within deposits and other borrowings are the following balances:

Commercial paper issued by ANZ National (Int'l) Limited guaranteed by the Bank at amortised cost	9,021	8,321	7,388
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UDC Finance Limited secured debentures

Carrying value of total tangible assets	1,912	2,102	1,877
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Registered secured debenture stock is constituted and secured by a trust deed between UDC Finance Limited and its independent trustee, Trustees Executors Limited. The trust deed creates floating charges over all the assets, primarily loans and advances, of UDC Finance Limited.

13. BONDS AND NOTES

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Total bonds and notes	17,671	23,777	17,540

Included within bonds and notes are the following related party balances:

Subsidiaries of the Australia and New Zealand Banking Group Limited	2,221	2,658	2,233
Bonds and notes issued by ANZ National (Int'l) Limited guaranteed by the Bank	14,539	20,222	14,401

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LOAN CAPITAL

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
AUD 207,450,000 term subordinated floating rate loan	-	248	-
AUD 265,740,000 perpetual subordinated floating rate loan	328	317	324
AUD 186,100,000 term subordinated floating rate loan	230	222	227
AUD 43,767,507 term subordinated floating rate loan	54	52	53
AUD 169,520,000 term subordinated floating rate loan	209	202	207
Term subordinated fixed rate bonds	950	950	950
Perpetual subordinated bond	835	835	835
Total loan capital issued	2,606	2,826	2,596
Less loan capital instruments held by the NZ Banking Group	(1)	-	-
Total loan capital	2,605	2,826	2,596

Included within loan capital is the following related party balance:

Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	821	1,041	811
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AUD 207,450,000 loan

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

AUD 265,740,000 loan

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

AUD 186,100,000 loan

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

AUD 43,767,507 loan

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

AUD 169,520,000 loan

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

14. LOAN CAPITAL (CONTINUED)

NZD subordinated bonds

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

Term subordinated fixed rate bonds

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

As at 31 December 2009, these bonds carried an AA- rating by Standard & Poor's.

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

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

Perpetual subordinated bond

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

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

As at 31 December 2009, these bonds carried an A+ rating by Standard and Poor's.

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

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

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

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. TERM FUNDING

	NZ Banking Group		
	Unaudited	Unaudited	Audited
	31/12/2009	31/12/2008	30/09/2009
	\$m	\$m	\$m
ANZ Funds Pty Limited	1,766	1,766	1,766

ANZ Funds Pty Limited (Related Company)

This New Zealand dollar loan was made on 1 December 2003 and is repayable upon demand being made by the ANZ Funds Pty Limited, where 12 months prior written notice is given, unless a shorter notice period is agreed upon. Interest is payable quarterly in arrears with interest payments due 1 March, 1 June, 1 September and 1 December. As part of the annual review of terms and conditions of the loan, the margin was changed to BKBM + 1.16% p.a., effective from 1 December 2009.

16. ORDINARY SHARE CAPITAL & HEAD OFFICE ACCOUNT

	NZ Banking Group		
	Unaudited	Unaudited	Audited
	31/12/2009	31/12/2008	30/09/2009
	\$m	\$m	\$m
Ordinary share capital at beginning and end of the period	1,453	1,453	1,453
Redeemable preference shares at beginning of the period	4,960	3,960	3,960
Redeemable preference shares issued during the period	-	-	1,000
	4,960	3,960	4,960
Paid in share capital at end of period	6,413	5,413	6,413
Head Office Account	11	-	11
Total Capital & Head Office Account at end of period	6,424	5,413	6,424

Voting rights

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

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL ADEQUACY

OVERSEAS BANKING GROUP CAPITAL ADEQUACY RATIO

	Overseas Banking Group			Overseas Bank (Extended Licensed Entity)	
	Unaudited 31/12/2009 Basel II	Unaudited 31/12/2008 Basel II	Unaudited 30/09/2009 Basel II	Unaudited 30/09/2009 Basel II	Unaudited 30/09/2008 Basel II
Tier One Capital	10.5%	8.3%	10.6%	11.6%	8.4%
Total Capital	13.4%	11.1%	13.7%	14.2%	11.6%

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

The Overseas Banking Group has Advanced IRB accreditation under Basel II rules. The Overseas Banking Group met the requirements imposed by APRA as at 31 December 2009.

Further details of the Overseas Banking Group's capital adequacy requirements and credit risk management processes can be found in its 2009 Annual Report. This report can be accessed at the following website address: www.anz.com.

RISK WEIGHTED CREDIT RISK EXPOSURES

Risk weighted exposures for the NZ Banking Group and NZ Branch have been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' (BS2) dated March 2008.

Total Risk Weighted Exposures of the NZ Banking Group as at 31 December 2009 (unaudited) were:

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	\$m		\$m
Cash and short term claims on Government	4,533	0%	-
Long term claims on Government	2,779	10%	278
Claims on banks	7,595	20%	1,519
Claims on public sector entities	725	20%	145
Residential mortgages	53,812	50%	26,906
Other	44,058	100%	44,058
Non risk weighted assets	11,251	n/a	-
	124,753		72,906

Off-balance sheet exposures	Principal amount	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure
	\$m		\$m		\$m
Direct credit substitutes	2,135	100%	2,135	35%	743
Commitments with certain drawdown	549	100%	549	60%	327
Transaction related contingent items	1,015	50%	508	68%	344
Short term, self liquidating trade related contingencies	70	20%	14	71%	10
Other commitments to provide financial services which have an original maturity of 1 year or more	4,963	50%	2,482		2,481
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	17,088	0%	-		-
Market related contracts ¹					
- Foreign exchange	120,764		5,144	22%	1,131
- Interest rate	517,510		8,103	23%	1,880
- Other	33		6	50%	3
	664,127		18,940		6,919

1. The credit equivalent amounts for market related contracts are calculated using the current exposure method.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

Total Risk Weighted Exposures of the NZ Branch as at 31 December 2009 (unaudited) were:

On-balance sheet exposures	Principal amount \$m	Risk weight	Risk weighted exposure \$m
Cash and short term claims on Government	-	0%	-
Long term claims on Government	-	10%	-
Claims on banks	10	20%	2
Claims on public sector entities	-	20%	-
Residential mortgages	9,618	50%	4,809
Other	289	100%	289
Non risk weighted assets	53	n/a	-
	9,970		5,100

Off-balance sheet exposures	Principal amount \$m	Credit conversion factor	Credit equivalent amount \$m	Average risk weight	Risk weighted exposure \$m
Direct credit substitutes	-	100%	-	n/a	-
Commitments with certain drawdown	-	100%	-	n/a	-
Transaction related contingent items	-	50%	-	n/a	-
Short term, self liquidating trade related contingencies	-	20%	-	n/a	-
Other commitments to provide financial services which have an original maturity of 1 year or more	33	50%	17	100%	17
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	-	0%	-	n/a	-
Market related contracts ¹					
- Foreign exchange	9,683		48	20%	10
- Interest rate	19,223		73	20%	15
- Other	-		-	n/a	-
	28,939		138		42

RETAIL MORTGAGES BY LOAN-TO-VALUATION ("LVR") RATIO

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

Retail mortgages by LVR ratio for the NZ Banking Group as at 31 December 2009 (unaudited):

LVR range	Exposure Amount \$m
0% - 80%	42,222
80% - 90%	6,529
Over 90%	5,641
	54,392

1. The credit equivalent amounts for market related contracts are calculated using the current exposure method.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CONCENTRATIONS OF CREDIT RISK

The NZ Banking Group has no credit exposures, on the basis of limits, to individual counterparties or groups of closely related counterparties (whether bank or non-bank exposures) which equal or exceed 10% of the Overseas Banking Group's equity as at 31 December 2009, 31 December 2008 or 30 September 2009, or in respect of peak end-of-day aggregate credit exposures for the three months ended 31 December 2009. The peak end-of-day exposures have been calculated using the Overseas Banking Group equity as at 30 September 2009. These calculations exclude credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent.

19. 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 for all categories of exposure may not have occurred at the same time.

The peak end-of-day market risk exposures for the quarter are measured as a percentage of the Overseas Banking Group's most recently publicly disclosed equity as at 30 September 2009 (31/12/2008: 30 September 2008; 30/09/2009: 30 September 2009) and are calculated separately for each category of exposure.

	NZ Banking Group					
	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Overseas Banking Group's Equity	
	As at \$m	Peak \$m	As at \$m	Peak \$m	As at	Peak
Unaudited 31/12/2009						
Interest rate risk	3,719	4,053	298	324	0.9%	1.0%
Foreign currency risk	11	89	1	7	0.0%	0.0%
Equity risk	86	86	7	7	0.0%	0.0%
Unaudited 31/12/2008						
Interest rate risk	3,959	3,975	317	318	1.2%	1.2%
Foreign currency risk	37	58	3	5	0.0%	0.0%
Equity risk	63	66	5	5	0.0%	0.0%
Audited 30/09/2009						
Interest rate risk	3,990	4,321	320	346	1.0%	1.1%
Foreign currency risk	5	301	-	24	0.0%	0.1%
Equity risk	69	82	6	7	0.0%	0.0%

20. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Interest earning and discount bearing assets	113,251	112,010	109,699
Interest and discount bearing liabilities	101,477	105,048	101,741

21. SEGMENTAL ANALYSIS

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

A summarised description of each business segment is provided 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 the ING NZ and other profit centres supporting the Retail Banking segment.

Commercial

This segment provides services to Rural, Corporate, Commercial and UDC customers. A full range of banking products and services are provided to Rural customers. Corporate and Commercial customers consist of primarily privately owned medium to large businesses with annual revenues of \$2 million and greater. The Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and 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 NZ 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.

As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 31 December 2009 segment definitions.

BUSINESS SEGMENT ANALYSIS^{1,2}

	NZ Banking Group				Total
	Retail ³	Commercial	Institutional	Other	
	\$m	\$m	\$m	\$m	\$m
Unaudited 3 months to 31/12/2009					
Net operating income ³	369	217	177	81	844
Profit before income tax ³	45	58	148	66	317
Unaudited 3 months to 31/12/2008					
Net operating income ³	245	212	220	27	704
Profit before income tax ³	(55)	105	174	11	235
Audited year to 30/09/2009					
Net operating income ³	1,455	863	773	(113)	2,978
Profit before income tax ³	140	170	507	(201)	616

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 \$82 million (30/09/2009 nil; 31/12/2008 nil) on acquisition of ING NZ and a charge of \$nil (30/09/2009 \$211 million; 31/12/2008 \$161 million) in relation to ING NZ funds.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. NOTES TO THE CASH FLOW STATEMENT

	NZ Banking Group		
	Unaudited 3 months to 31/12/2009 \$m	Unaudited 3 months to 31/12/2008 \$m	Audited Year to 30/09/2009 \$m
Reconciliation of profit after income tax to net cash flows used in operating activities			
Profit after income tax	253	167	194
Non-cash items:			
Depreciation and amortisation	12	12	50
Provision for credit impairment	152	94	883
Deferred fee revenue and expenses	-	1	(8)
Share-based payments expense	5	4	18
Amortisation of capitalised brokerage/ mortgage origination fees	12	14	54
Deferrals or accruals of past or future operating cash receipts or payments:			
Decrease (increase) in net operating assets and liabilities	1,527	53	(1,346)
(Increase) decrease in interest receivable	(10)	1	138
Decrease in interest payable	(33)	(17)	(259)
(Increase) decrease in accrued income	(4)	(3)	1
Increase (decrease) in accrued expenses	2	(12)	41
(Decrease) increase in provisions	(14)	165	100
Amortisation of premiums and discounts	3	13	76
(Increase) decrease in net income tax assets and liabilities	(314)	76	183
Items classified as investing/financing:			
Share of profit of equity accounted associates and jointly controlled entities	(36)	(6)	(11)
Loss on remeasuring existing equity interests to fair value	82	-	-
Loss (gain) on disposal of premises and equipment	5	(12)	(13)
Net cash flows from operating activities	1,642	550	101

Reconciliation of core liquidity portfolio to cash and cash equivalents

The NZ Banking Group's core liquidity portfolio held for managing liquidity risk comprises:

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Cash and balances with central banks	2,141	2,044	2,207
Securities purchased under agreement to resell	339	563	1,075
Certificates of deposit	1,430	4,975	2,736
Government, Local Body stock and bonds	2,401	284	1,102
Available-for-sale assets	2,134	-	1,435
Other bank bonds	2,636	1,335	2,522
Total liquidity portfolio¹	11,081	9,201	11,077
Reconciliation to cash and cash equivalents:			
<i>Other cash items not included within liquidity portfolio:</i>			
Liquid assets not with central banks	729	1,004	556
Due from other financial institutions - less than 90 days	2,964	897	550
<i>Non-cash items included within liquidity portfolio</i>			
Trading securities	(5,345)	(1,140)	(3,624)
Available-for-sale assets	(2,134)	-	(1,435)
Due from other financial institutions - greater than 90 days	(737)	(3,372)	(2,358)
Total cash and cash equivalents	6,558	6,590	4,766
Reconciliation of cash and cash equivalents to the balance sheets			
Liquid assets	2,870	3,050	2,763
Due from other financial institutions - less than 90 days	3,688	3,540	2,003
Total cash and cash equivalents	6,558	6,590	4,766

1. Assets held for managing liquidity risk includes short term cash held with the RBNZ or other banks, government securities and other securities that are readily acceptable in repurchase agreements with the RBNZ and other New Zealand banks and securities issued by offshore Supranational and highly rated banks.

23. ULTIMATE PARENT BANK

The Parent Company is Australia and New Zealand Banking Group Limited which is incorporated in Australia.

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

Securitisation

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

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

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

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

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

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

Funds management

Certain entities in the NZ Banking Group 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 NZ 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 NZ Banking Group, they are not included in these financial statements. The NZ 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 NZ Banking Group derives commission income from the sale of third party funds management products.

Custodial services

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

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

Insurance business

The NZ Banking Group conducts insurance business through subsidiaries of ING NZ – the assets, liabilities and operations of which are fully consolidated into the NZ Banking Group since its acquisition. Previously the NZ Banking Group did not conduct any insurance business directly, although it held a 49% ownership share in ING NZ. The NZ 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 NZ Banking Group comprises assets totalling \$297 million (31/12/2008 \$nil; 30/09/2009 \$nil) which is 0.2% (31/12/2008 0.0%; 30/09/2009 0.0%) of the total consolidated assets of the NZ Banking Group.

Provision of financial services

Financial services provided by the NZ 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 NZ Banking Group has not provided any funding to entities except standard lending facilities provided in the normal course of businesses on arms length terms which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the NZ Banking Group (31/12/2008 \$nil; 30/09/2009 \$nil).

Risk management

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

In addition, the following measures have been taken to manage any risk to the NZ Banking Group of marketing and distributing insurance products provided by third party insurance companies:

Investment statements, prospectuses and brochures for insurance products include disclosures that the Registered Bank nor any member of the NZ Banking Group does not guarantee the insurer, nor the insurer's subsidiaries, nor any of the products issued by the insurer or the insurer's subsidiaries.

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

- the policies do not represent deposits or other liabilities of the entities within the NZ Banking Group;
- the policies are subject to investment risk, including possible loss of income and principal; and
- entities within the NZ Banking Group do not guarantee the capital value or performance of the policies.

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

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

In addition, the following measures have been taken to manage any risk to the entities within the NZ Banking Group of marketing and distributing fund management products:

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

- the securities do not represent deposits or other liabilities of the entities within the NZ Banking Group;
- the securities are subject to investment risk including possible loss of income and principal invested; and
- the entities within the NZ Banking Group do not guarantee the capital value or performance of the securities.

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

25. COMMITMENTS

	NZ Banking Group		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Capital expenditure			
Contracts for outstanding capital expenditure:			
Premises and equipment			
Not later than 1 year	11	27	19
Total capital expenditure commitments	11	27	19
Lease rentals			
Future minimum lease payments under non-cancellable operating leases:			
Premises and equipment			
Not later than 1 year	88	85	82
Later than 1 year but not later than 5 years	166	168	155
Later than 5 years	40	34	31
Total lease rental commitments	294	287	268
Total commitments	305	314	287

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

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

	NZ Banking Group		
	Face or contract value		
	Unaudited 31/12/2009 \$m	Unaudited 31/12/2008 \$m	Audited 30/09/2009 \$m
Credit related commitments			
Commitments with certain drawdown due within one year	549	481	735
Commitments to provide financial services	22,051	22,882	22,128
Total credit related commitments	22,600	23,363	22,863
Contingent liabilities			
Financial guarantees	1,751	1,972	1,753
Standby letters of credit	384	413	341
Transaction related contingent items	1,015	1,031	982
Trade related contingent liabilities	70	74	89
Total contingent liabilities	3,220	3,490	3,165
Foreign exchange, interest rate and commodity contracts			
Exchange rate contracts	120,764	101,389	108,375
Interest rate contracts	517,510	453,373	476,674
Commodity contracts	33	76	36
Total foreign exchange, interest rate and commodity contracts	638,307	554,838	585,085

The NZ 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.

A summary of contingent liabilities is set out below.

Settlement with Inland Revenue Department

The New Zealand Inland Revenue Department ("IRD") has been reviewing a number of structured finance transactions as part of an audit of the 2000 to 2005 tax years.

On 23 December 2009, ANZ announced that it had reached a settlement with the IRD in respect of six of the seven transactions in dispute. As part of an industry-wide settlement, ANZ paid the IRD \$414 million in primary tax and interest, with the parties agreeing to discontinue relevant legal proceedings. The settlement includes an amount of \$106 million related to three transactions for which ANZ holds an indemnity from Lloyds Banking Group plc associated with The National Bank of New Zealand acquisition. This liability, net of amounts receivable from Lloyds, was met from existing tax provisions.

Of seven transactions undertaken by ANZ and The National Bank of New Zealand which were in dispute, one residual transaction involving \$27 million in primary tax remains in dispute with the IRD. A provision is held for this remaining transaction.

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

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 2009-2012 Statement of Intent the Commission stated that:

"Compliance with the Credit Contracts and Consumer Finance Act is a priority area for the Commission, given the deterioration in consumer confidence in the financial sector and the important role that a competitive lending market can play in strengthening the New Zealand economy."

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

ING NZ Funds

The Bank markets and distributes a range of wealth management products in New Zealand. The products are manufactured and managed by ING NZ, which is a wholly owned subsidiary of the Bank following the purchase of ING Groep's 51% interest in ING NZ on 30 November 2009. Trading in two of the products, the ING Diversified Yield Fund and the ING Regular Income Fund (together, "the Funds"), was suspended on 13 March 2008, due to deterioration in the liquidity and credit markets. Units in the Funds were sold by the Bank to its customers.

On 5 June 2009, ING NZ AUT Investments Limited, a subsidiary of ING NZ, made an offer to investors in the Funds. The offer closed on 13 July 2009. Investors holding approximately 99% of the Funds accepted the offer to purchase their units and have received a payment of 60 cents per unit in the ING Diversified Yield Fund or 62 cents per unit in the ING Regular Income Fund, as applicable, either (i) in cash, or (ii) by way of deposit in an on-call account with the Bank, paying 8.30% per annum fixed for up to five years.

Although acceptance of this offer included a waiver of claims, Bank customers were offered an additional opportunity to access the Bank customer complaints team (and, where still unsatisfied, the New Zealand Banking Ombudsman) even where the investors had accepted the offer. This opportunity was available until 31 July 2009 and approximately 1,300 customers requested for their circumstances to be considered, and over half of these requests have been resolved. As a result of the offer and transactions concluded as part of the purchase of ING Groep's interest in ING NZ, the Banking Group now owns over 99% of the units in the Funds.

The Commerce Commission is separately investigating both the Bank and ING NZ in respect of their roles in manufacturing, managing and selling of the Funds. At this stage it is not possible to predict the outcome of either of the investigations.

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

Other contingent liabilities

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ 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 31 December 2009, there were no other contingent assets or liabilities required to be disclosed (31/12/2008 \$nil; 30/09/2009 \$nil).

27. BUSINESS COMBINATIONS

On 30 November 2009, the NZ 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 NZ Banking Group's position in wealth management and more closely integrate its retail banking and wealth businesses. The acquisition takes the NZ Banking Group's ownership interest in ING NZ to 100%.

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

	NZ Banking Group
	Unaudited
	31/12/2009
	\$m
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	25
Deferred tax assets	28
Premises and equipment	4
Total assets	494
Due to financial institutions	30
Payables and other liabilities	25
Current tax liabilities	27
Provisions ²	116
Total liabilities	198
Net assets	296
Minority interests in the Funds ³	1
Net assets attributable to the NZ Banking Group	295
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
Provisional value of goodwill and intangible assets⁵	221

1. Includes receivables with a fair value of \$16m and a gross contractual amount receivable of \$17m. The best estimate at the acquisition date of the contractual cash flows not expected to be collected on these receivables is \$1m.
2. Includes employee related provisions and the fair value of contingent liabilities, which relate to possible claims by investors in the Funds and investigations by regulatory bodies and other actual and potential claims and proceedings (refer to Note 26). The expected timing and ultimate cost of contingent liabilities to the NZ 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. Minority interests are measured as their proportionate share of the identifiable net assets of the Funds.
4. The loss on re-measuring equity interests has been recognised in Other Operating Income in the Income Statement.
5. Upon finalisation of fair value procedures, including recognition of intangible assets acquired, the remaining balance will be recognised as either goodwill or a discount on acquisition as appropriate. Goodwill, if recognised, is not expected to be deductible for income tax purposes.

27. BUSINESS COMBINATIONS (CONTINUED)

Included in the NZ Banking Group's Income Statement and Statement of Comprehensive Income since 30 November 2009 is net operating income of \$12 million and a loss before tax of \$8 million, including integration costs, contributed by ING NZ and the Funds. Had ING NZ and the Funds been consolidated from 1 October 2009, the NZ Banking Group's Income Statement and Statement of Comprehensive Income would have included, for the three months ended 31 December 2009, net operating income of \$39 million and a loss before tax of \$3 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.

28. SUBSEQUENT EVENTS

On 20 January 2010 ANZ Holdings (New Zealand) Limited paid a dividend on preference shares of AUD 273 million.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

CONDITIONS OF REGISTRATION

Conditions of Registration, applicable as at 24 February 2010.

The Conditions of Registration imposed on the NZ Branch, which apply from the date of registration are:

1. That the New Zealand Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the New Zealand Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
 - i. Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - ii. In measuring the size of the New Zealand Banking Group's insurance business:
 - a. where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - The total consolidated assets of the group headed by that entity;
 - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - b. otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - c. the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - d. where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the Australia and New Zealand Banking Group Limited.
4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
 - i. the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - ii. the Reserve Bank has advised that it has no objection to that appointment.
5. That Australia and New Zealand Banking Group Limited complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That Australia and New Zealand Banking Group Limited complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - tier one capital of the Australia and New Zealand Banking Group Limited is not less than 4 percent of risk weighted exposures;
 - capital of Australia and New Zealand Banking Group Limited is not less than 8 percent of risk weighted exposures.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
CONDITIONS OF REGISTRATION (CONTINUED)

7. That the business of the registered bank in New Zealand is restricted to:
 - i. acquiring for fair value, and holding, mortgages originated by ANZ National Bank Limited; and
 - ii. any other business for which the prior written approval of the Reserve Bank of New Zealand has been obtained; and
 - iii. activities that are necessarily incidental to the business specified in paragraphs (i) and (ii).
8. That the value of the mortgages held by the registered bank in New Zealand must not exceed \$15 billion in aggregate.
9. That the registered bank in New Zealand may not incur any liabilities except:
 - i. to the government of New Zealand in respect of taxation and other charges; and
 - ii. to other branches or the head office of the registered bank; and
 - iii. to trade creditors and staff; and
 - iv. to ANZ National Bank Limited in respect of activities, other than borrowing, that are necessarily incidental to the business specified in paragraphs (i) and (ii) of condition 7; and
 - v. any other liabilities for which the prior written approval of the Reserve Bank has been obtained.

For the purposes of these Conditions of Registration, the term "Banking Group" means the New Zealand operations of Australia and New Zealand Banking Group Limited whose business is required to be reported in the financial statements for the group's New Zealand business, prepared in accordance with section 9(2) of the Financial Reporting Act 1993.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
CREDIT RATING INFORMATION

Credit Ratings applicable as at 24 February 2010

The Overseas Bank has three current credit ratings, which are applicable to its long-term senior unsecured obligations, including obligations 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	Aa1	Outlook Negative
Fitch Ratings	AA-	Outlook Stable

During the two-year period ended 31 December 2009, the Standard and Poor's credit rating and qualification remained at AA and Outlook Stable.

During the two-year period ended 31 December 2009, the Moody's Investors Service credit rating and qualification remained at Aa1. On 2 March 2009 the Outlook changed from Stable to Negative.

During the two-year period ended 31 December 2009, the Fitch Ratings credit rating and qualification remained at AA- and Outlook Stable. Fitch Ratings were formally engaged by the Overseas Bank on 18 March 2008 to provide credit rating services. Previously Fitch Ratings had rated the Overseas Bank on an unsolicited basis as AA-.

	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.

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT**

Directors' and New Zealand Chief Executive Officer's Statement

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

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

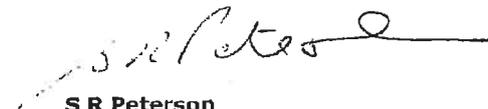
Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the three months ended 31 December 2009:

- i. The NZ Banking Group has complied with all the conditions of registration;
- ii. The NZ Banking Group had systems in place to monitor and control adequately the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This General Short Form Disclosure Statement is dated this 24 February 2010, and has been signed by the Chairman of the Overseas Bank as agent for all Directors and by the Chief Executive Officer, NZ Branch.



**C B Goode
Chairman**



**S R Peterson
Chief Executive Officer, NZ Branch**

Directors of the Australia and New Zealand Banking Group Limited as at the date of this General Short Form Disclosure Statement were:

Charles Barrington Goode, Chairman
Michael Roger Pearson Smith, Chief Executive Officer – Australia and New Zealand Banking Group Limited
Dr Gregory John Clark
Peter Algernon Franc Hay
Lee Hsien Yang
Ian John Macfarlane
David Edward Meiklejohn
John Powell Morschel
Alison Mary Watkins

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH
INDEPENDENT REVIEW REPORT for the three months ended 31 December 2009



**Independent Review Report to the Directors of Australia and New Zealand Banking Group Limited
New Zealand Branch**

We have reviewed the interim financial statements on pages 7 to 34 prepared and disclosed in accordance with Clause 19 of the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 2 to 6. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of Australia and New Zealand Banking Group Limited New Zealand Branch and its related entities (the 'NZ Banking Group') and their financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on page 12.

Directors' responsibilities

The Directors of Australia and New Zealand Banking Group Limited New Zealand Branch 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 NZ Banking Group as at 31 December 2009 and its financial performance and cash flows for the three 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 6 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 6, and Clause 15 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 to state whether, the supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 4 of the Order, is in all material respects prepared and disclosed in accordance with Capital Adequacy Framework (Basel 1 Approach) and Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 4 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 NZ 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 NZ Banking Group in relation to other audit related services. Partners and employees of our firm may also deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the business of the NZ Banking Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the NZ Banking Group. These matters have not impaired our independence as auditors of the NZ Banking Group. The firm has no other relationship with, or interest in, the NZ 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:

- the interim financial statements (excluding the supplementary information disclosed in Notes 17, 18, 19, 20 and 24) do not present a true and fair view of the financial position of the NZ Banking Group as at 31 December 2009 and its financial performance and cash flows for the three months ended on that date;
- the supplementary information disclosed in Notes 18, 19, 20 and 24 prescribed by Schedules 3, 5 to 6 and Clause 15 of Schedule 2 of the Order is not fairly stated in accordance with those Schedules; and
- the supplementary information relating to Capital Adequacy disclosed in Note 17 of the interim financial statements, as required by Schedule 4 of the Order, is not in all material respects derived in accordance with Capital Adequacy Framework (Basel 1 Approach (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A), and disclosed in accordance with Schedule 4 of the Order.

Our review was completed on 24 February 2010 and our review opinion is expressed as at that date.

Wellington