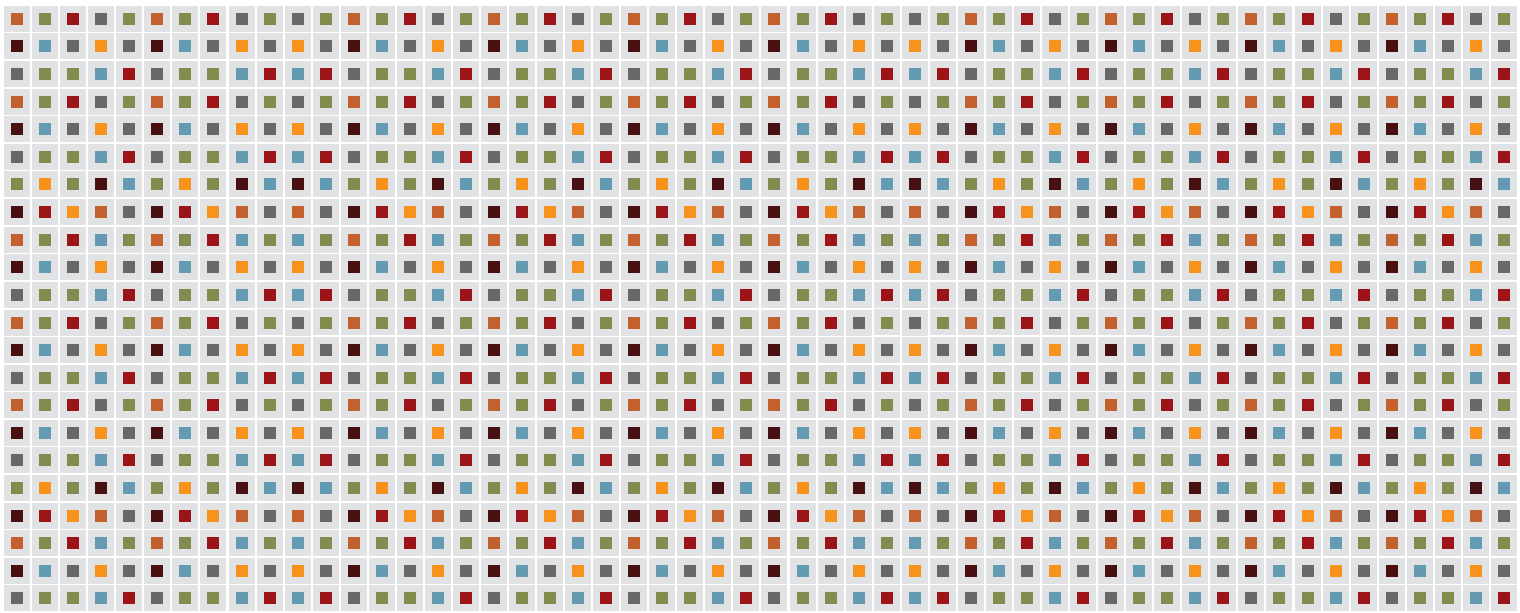


ANZ NATIONAL BANK LIMITED GROUP

GENERAL SHORT FORM DISCLOSURE STATEMENT



For the nine months ended 30 June 2008
Number 50 Issued August 2008

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

GENERAL SHORT FORM DISCLOSURE STATEMENT

FOR THE NINE MONTHS
ENDED 30 JUNE 2008



CONTENTS

General Disclosures	2
Short Form Financial Statements	3 - 33
Conditions of Registration	34- 36
Credit Rating Information	37
Directors' Statement	38
Independent Review Report	39

GENERAL DISCLOSURES

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

In this Disclosure Statement unless the context otherwise requires:

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

GENERAL MATTERS

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

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

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

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

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

MATERIAL FINANCIAL SUPPORT

In accordance with the requirements issued by the Australian Prudential Regulation Authority ('APRA') pursuant to the Prudential Standards, Australia and New Zealand Banking Group Limited, as the Ultimate Parent Bank, may not provide material financial support to the Bank¹ contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
 - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in cases approval) is required before entering exceptionally large exposures; and
 - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank.
- the level of exposure to the Bank not exceeding:
 - 50% on an individual exposure basis²; and
 - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank)
 of the Ultimate Parent Bank's capital base.

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

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

GUARANTORS

The material obligations of the Bank are not guaranteed.

DIRECTORATE

There have been no changes to the Bank's Board of Directors since the authorisation date of the previous Disclosure Statement on 19 June 2008.

1. Note that for material financial support purposes, the APRA requirements include any exposures to the Bank's parent company, ANZ Holdings (New Zealand) Limited.

2. In certain circumstances APRA may approve an increase in the individual exposure limit above this 50% limit.

INCOME STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2008

	Note	Consolidated		
		Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
CONTINUING OPERATIONS				
Interest income		7,310	5,988	8,309
Interest expense		5,599	4,344	6,059
Net interest income		1,711	1,644	2,250
Net trading gains		216	134	204
Other operating income		533	482	633
Share of profit of equity accounted associates and jointly controlled entities		102	17	24
Operating income		2,562	2,277	3,111
Operating expenses		1,035	992	1,331
Profit before provision for credit impairment and income tax		1,527	1,285	1,780
Provision for credit impairment	11	167	56	74
Profit before income tax		1,360	1,229	1,706
Income tax expense	3	400	457	614
Profit after income tax from continuing operations		960	772	1,092
DISCONTINUED OPERATIONS				
Profit from discontinued operations (net of income tax)	7	-	76	76
Profit after income tax		960	848	1,168

The notes on pages 7 to 33 form part of and should be read in conjunction with these financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE NINE MONTHS ENDED 30 JUNE 2008

	Note	Consolidated		
		Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
AVAILABLE-FOR-SALE REVALUATION RESERVE:				
Valuation gain (loss) taken to equity		36	-	(1)
Cumulative gain transferred to the income statement on sale of financial assets		-	(3)	(3)
CASH FLOW HEDGING RESERVE:				
Valuation (loss) gain taken to equity		(26)	88	78
Transferred to income statement		(26)	(28)	(35)
Actuarial (loss) gain on defined benefit schemes		(12)	9	3
Income tax credit (expense) on items recognised directly in equity		20	(20)	(12)
Net (expense) income recognised directly in equity	17	(8)	46	30
Profit after income tax		960	848	1,168
Total recognised income and expense for the period		952	894	1,198

The notes on pages 7 to 33 form part of and should be read in conjunction with these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	Consolidated		
		Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
ASSETS				
Liquid assets	4	3,225	3,027	4,807
Due from other financial institutions	5	4,465	3,122	3,563
Trading securities	6	2,306	3,613	1,877
Derivative financial instruments		4,337	4,384	4,711
Available-for-sale assets	8	106	46	48
Net loans and advances	9, 10, 11	95,296	85,128	87,878
Shares in controlled entities, associates and jointly controlled entities		356	196	206
Current tax assets		140	-	112
Other assets		1,048	722	1,045
Deferred tax assets		61	36	11
Premises and equipment		242	226	232
Goodwill and other intangible assets		3,314	3,291	3,297
Total assets		114,896	103,791	107,787
LIABILITIES				
Due to other financial institutions	12	2,620	4,219	3,170
Deposits and other borrowings	13	75,266	66,053	70,030
Derivative financial instruments		4,253	4,800	4,924
Payables and other liabilities		1,598	1,423	1,351
Current tax liabilities		-	61	-
Provisions		157	153	165
Bonds and notes	14	16,713	13,575	14,607
Due to parent company		1,655	2,846	2,775
Loan capital	15	2,979	1,894	2,062
Total liabilities		105,241	95,024	99,084
Net assets		9,655	8,767	8,703
EQUITY				
Ordinary share capital	16	5,943	5,943	5,943
Reserves	17	83	95	83
Retained earnings	17	3,629	2,729	2,677
Total equity		9,655	8,767	8,703

The notes on pages 7 to 33 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2008¹

	Note	Consolidated		
		Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		7,057	5,707	7,892
Dividends received		-	2	3
Fees and other income received		785	676	926
Interest paid		(5,194)	(3,966)	(5,486)
Operating expenses paid		(947)	(967)	(1,254)
Income taxes paid		(458)	(216)	(513)
Cash flows from operating profits before changes in operating assets & liabilities		1,243	1,236	1,568
Net changes in operating assets and liabilities:				
(Increase) decrease in due from other financial institutions - term		(1,448)	43	469
Increase in trading securities		(328)	(1,859)	(73)
Increase in derivative financial instruments		(167)	(1,847)	(1,136)
(Increase) decrease in available-for-sale assets		(18)	314	312
Increase in loans and advances		(7,282)	(7,437)	(10,149)
(Increase) decrease in other assets		(33)	243	(69)
(Decrease) increase in due to other financial institutions		(550)	232	(817)
Increase in deposits and other borrowings		4,654	3,682	6,857
Increase (decrease) in payables and other liabilities		76	64	(125)
Net cash flows used in operating activities	23	(3,853)	(5,329)	(3,163)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of shares in associates and jointly controlled entities		-	-	5
Proceeds from sale of subsidiary companies ²	7	-	585	585
Proceeds from sale of premises and equipment		1	18	17
Purchase of shares in associates and jointly controlled entities		(46)	(2)	(8)
Purchase of intangible assets		(23)	(8)	(17)
Purchase of premises and equipment		(39)	(37)	(51)
Net cash flows (used in) provided by investing activities		(107)	556	531

1. The comparative cash flow statements have not been restated for the classification of Truck Leasing Limited ('TLL') as a discontinued operation. For a detailed explanation of the financial impacts of the sale of TLL refer to Note 10 Discontinued Operations in the consolidated financial statements for the year ended 30 September 2007.

2. The cash proceeds from the sale of controlled entities includes \$438 million relating to the repayment of TLL's unsecured bank borrowings with UDC Finance Limited ('UDC') by the acquiree.

The notes on pages 7 to 33 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2008 (CONTINUED)

	Consolidated		
	Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
Note			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bonds and notes	4,778	3,416	4,173
Redemptions of bonds and notes	(2,815)	(635)	(684)
Proceeds from loan capital	835	250	800
Redemptions of loan capital	-	(125)	(550)
(Decrease) increase in due to parent company	(1,120)	44	55
Dividends paid	-	(360)	(728)
Net cash flows provided by financing activities	1,678	2,590	3,066
Net cash flows used in operating activities	(3,853)	(5,329)	(3,163)
Net cash flows (used in) provided by investing activities	(107)	556	531
Net cash flows provided by financing activities	1,678	2,590	3,066
Net (decrease) increase in cash and cash equivalents	(2,282)	(2,183)	434
Cash and cash equivalents at beginning of the period	7,130	6,696	6,696
Cash and cash equivalents at end of the period	4,848	4,513	7,130
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS³			
Liquid assets	3,225	3,026	4,807
Due from other financial institutions - less than 90 days	1,623	1,487	2,323
Total cash and cash equivalents	4,848	4,513	7,130

3. Comparatives for cash and cash equivalents have been restated to remove "due to other financial institutions - less than 90 days" from the definition of cash and cash equivalents. A reconciliation of cash and cash equivalents to the Banking Group's core liquidity portfolio is included in Note 23 Notes to the Cash Flow Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(i) Basis of preparation

These financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2008. These financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2007.

(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, assets treated as available-for-sale, financial instruments designated at fair value through profit or loss, and defined benefit scheme assets and liabilities.

(iii) Changes in accounting policies / adoption of NZ IFRS

There have been no changes in accounting policies or methods of computation since the authorisation date of the previous Disclosure Statement on 19 June 2008.

(iv) Presentation currency and rounding

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

(v) Consolidation

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

(vi) Comparatives

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

2. RISK MANAGEMENT POLICIES

There has been no material change in the Banking Group's policies for managing risk, or material exposures to any new types of risk since the authorisation date of the previous Disclosure Statement on 19 June 2008.

3. INCOME TAX EXPENSE

	Consolidated		
	Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
Income tax expense on profit from continuing operations	400	457	614
Effective tax rate (%)	29.4%	37.2%	36.0%

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4. LIQUID ASSETS

	Consolidated		
	Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
Cash and balances with central banks	1,804	1,263	3,010
Securities purchased under agreement to resell	125	353	197
Money at call	1,178	1,331	1,467
Bills receivable and remittances in transit	118	80	133
Total liquid assets	3,225	3,027	4,807
Included within liquid assets is the following balance:			
Overnight balances with central banks	1,622	1,073	2,809

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

Able to be withdrawn without prior notice	1,115	383	952
Securities purchased under agreements to resell	220	552	512
Certificates of deposit	2,596	1,391	1,634
Term loans and advances	534	796	465
Total due from other financial institutions	4,465	3,122	3,563
Included within due from other financial institutions is the following balance:			
Assets used to secure deposit obligations	-	200	-
Included within due from other financial institutions is the following related party balance:			
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	-	4	-

6. TRADING SECURITIES

Government, Local Body stock and bonds	124	475	144
Certificates of deposit	655	2,582	866
Promissory notes	160	399	177
Other bank bonds	1,280	110	638
Other	87	47	52
Total trading securities	2,306	3,613	1,877
Included within trading securities is the following balance:			
Assets encumbered through repurchase agreements	321	376	300

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

7. DISCONTINUED OPERATIONS

On 31 October 2006, UDC Finance Limited sold Truck Leasing Limited ('TLL') to Nikko Principal Investments Australia Limited, a private equity business of Nikko Cordial Corporation, for consideration of \$147 million. A gain of \$76 million was realised.

The comparative income statements of the Banking Group have been restated to show the discontinued operation separately from continuing operations.

For a detailed explanation of the financial impacts of the sale of TLL refer to Note 10 Discontinued Operations in the consolidated financial statements for the year ended 30 September 2007.

8. AVAILABLE-FOR-SALE ASSETS

	Consolidated		
	Unaudited 30/06/2008	Unaudited 30/06/2007	Audited 30/09/2007
	\$m	\$m	\$m
Government, Local Body stock and bonds	3	3	4
Other debt securities	28	43	43
Equity securities	75	-	1
Total available-for-sale assets	106	46	48

9. NET LOANS AND ADVANCES

Overdrafts	2,087	1,997	2,012
Credit card outstandings	1,414	1,322	1,338
Term loans - housing	53,197	48,363	49,751
Term loans - non-housing	38,724	33,906	35,156
Finance lease receivables	781	745	752
Gross loans and advances	96,203	86,333	89,009
Provision for credit impairment (Note 11)	(563)	(466)	(466)
Unearned finance income	(343)	(275)	(290)
Fair value hedge adjustment	(60)	(529)	(442)
Deferred fee revenue and expenses	(56)	(52)	(53)
Capitalised brokerage/ mortgage origination fees	115	117	120
Total net loans and advances	95,296	85,128	87,878

Included within net loans and advances is the following related party balance:

ANZ Holdings (New Zealand) Limited (Parent Company)	-	-	89
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The balance owing by the Parent Company is due within the next twelve months. Interest is received at variable bank rates.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

Individually impaired assets	Consolidated			
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	Total \$m
Unaudited 30/06/2008				
Balance at beginning of the period	7	20	88	115
Transfers from productive	61	98	100	259
Transfers to productive	(1)	-	(9)	(10)
Assets realised or loans repaid	(7)	(4)	(59)	(70)
Write offs	(1)	(77)	(3)	(81)
Balance at end of the period	59	37	117	213
Unaudited 30/06/2007				
Balance at beginning of the period	9	19	123	151
Transfers from productive	3	69	59	131
Transfers to productive	-	-	(14)	(14)
Assets realised or loans repaid	(4)	(8)	(82)	(94)
Write offs	-	(54)	(8)	(62)
Balance at end of the period	8	26	78	112
Audited 30/09/2007				
Balance at beginning of the period	9	19	123	151
Transfers from productive	3	85	81	169
Transfers to productive	-	-	(15)	(15)
Assets realised or loans repaid	(5)	(9)	(92)	(106)
Write offs	-	(75)	(9)	(84)
Balance at end of the period	7	20	88	115
Unaudited 30/06/2008				
Past due assets (90 days past due assets) ¹	169	46	39	254
Other assets under administration	-	-	1	1
Undrawn facilities with impaired customers	-	-	8	8
Interest forgone on impaired assets	-	2	4	6
Unaudited 30/06/2007				
Past due assets (90 days past due assets) ¹	52	21	27	100
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	12	12
Interest forgone on impaired assets	-	2	4	6
Audited 30/09/2007				
Past due assets (90 days past due assets) ¹	57	19	26	102
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	6	6
Interest forgone on impaired assets	1	2	5	8

There are no undrawn facilities with 90 day past due customers or customers within the other assets under administration category as at 30 June 2008 (30 June 2007 nil; 30 September 2007 nil).

As at 30 June 2008, the Banking Group did not have any restructured assets or material assets acquired through enforcement of security (30 June 2007 nil; 30 September 2007 nil).

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. PROVISION FOR CREDIT IMPAIRMENT

	Consolidated			
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	Total \$m
Unaudited 30/06/2008				
Collective provision				
Balance at beginning of the period	58	130	234	422
Transfer of credit valuation adjustment on derivative financial instruments	-	-	3	3
Charge to income statement	5	16	40	61
Balance at end of the period	63	146	277	486
Individual provision (individually impaired assets)				
Balance at beginning of the period	4	9	31	44
Charge to income statement	12	76	18	106
Recoveries of amounts previously written off	-	12	1	13
Bad debts written off	(1)	(77)	(3)	(81)
Discount unwind ¹	-	-	(5)	(5)
Balance at end of the period	15	20	42	77
Total provision for credit impairment	78	166	319	563
Unaudited 30/06/2007				
Collective provision				
Balance at beginning of the period	51	132	219	402
Charge to income statement	6	1	10	17
Balance at end of the period	57	133	229	419
Individual provision (individually impaired assets)				
Balance at beginning of the period	3	16	39	58
Charge to income statement	-	39	-	39
Recoveries of amounts previously written off	-	15	-	15
Bad debts written off	-	(54)	(8)	(62)
Discount unwind ¹	-	-	(3)	(3)
Balance at end of the period	3	16	28	47
Total provision for credit impairment	60	149	257	466
Audited 30/09/2007				
Collective provision				
Balance at beginning of the period	51	132	219	402
Charge to income statement	7	(2)	15	20
Balance at end of the period	58	130	234	422
Individual provision (individually impaired assets)				
Balance at beginning of the period	3	16	39	58
Charge to income statement	1	55	(2)	54
Recoveries of amounts previously written off	-	17	3	20
Bad debts written off	-	(75)	(9)	(84)
Discount unwind ¹	-	-	(4)	(4)
Balance at end of the period	4	13	27	44
Total provision for credit impairment	62	143	261	466

1. The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cashflows discounted to their present value. As this discount unwinds during the period it is recognised as interest income.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)

Provision movement analysis	Consolidated			Total \$m
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	
Unaudited 30/06/2008				
New and increased provisions	12	88	27	127
Provision releases	-	-	(8)	(8)
	12	88	19	119
Recoveries of amounts previously written off	-	(12)	(1)	(13)
Individual provision charge	12	76	18	106
Collective provision charge	5	16	40	61
Charge to income statement	17	92	58	167
Unaudited 30/06/2007				
New and increased provisions	-	54	13	67
Provision releases	-	-	(13)	(13)
	-	54	-	54
Recoveries of amounts previously written off	-	(15)	-	(15)
Individual provision charge	-	39	-	39
Collective provision charge	6	1	10	17
Charge to income statement	6	40	10	56
Audited 30/09/2007				
New and increased provisions	1	74	17	92
Provision releases	-	(2)	(16)	(18)
	1	72	1	74
Recoveries of amounts previously written off	-	(17)	(3)	(20)
Individual provision charge	1	55	(2)	54
Collective provision charge	7	(2)	15	20
Charge to income statement	8	53	13	74

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12. DUE TO OTHER FINANCIAL INSTITUTIONS

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	673	803	1,140
Securities sold under agreements to repurchase	321	376	300
Other financial institutions	1,626	3,040	1,730
Total due to other financial institutions	2,620	4,219	3,170
Included within due to other financial institutions is the following balance:			
Balances owing to the Ultimate Parent Company by ANZ National (Int'l) Limited guaranteed by the Bank	673	803	1,140

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

13. DEPOSITS AND OTHER BORROWINGS

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Amortised cost			
Certificates of deposit	4,458	3,101	4,447
Term deposits	31,628	27,560	28,998
Demand deposits bearing interest	21,069	21,839	21,128
Deposits not bearing interest	3,943	3,993	4,354
Secured debenture stock	1,821	1,900	1,786
Secured deposits	-	200	-
Total deposits and other borrowings recognised at amortised cost	62,919	58,593	60,713
Fair value through the profit or loss			
Commercial paper	12,347	7,460	9,317
Total deposits and other borrowings recognised at fair value	12,347	7,460	9,317
Total deposits and other borrowings	75,266	66,053	70,030
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	12,345	7,467	9,319
UDC Finance Limited secured debentures			
Carrying value of total tangible assets	2,107	2,196	2,065

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14. BONDS AND NOTES

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	1,174	1,822	1,871
Other bonds and notes issued	15,539	11,753	12,736
Total bonds and notes	16,713	13,575	14,607
Included within bonds and notes is the following balance:			
Bonds and notes issued by ANZ National (Int'l) Limited guaranteed by the Bank	15,256	12,588	13,566

In July 2008, the Banking Group issued NZD equivalent of NZD 3.4 billion of long-term unsubordinated debt. The most significant transaction was a USD 2 billion (NZD 2.6 billion) 5 year fixed rate note issue.

15. LOAN CAPITAL

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
AUD 207,450,000 term subordinated floating rate loan	261	228	242
AUD 265,740,000 perpetual subordinated floating rate loan	334	292	309
AUD 186,100,000 term subordinated floating rate loan	234	205	217
AUD 43,767,507 term subordinated floating rate loan	55	48	51
AUD 169,520,000 term subordinated floating rate loan	213	-	197
NZD term subordinated fixed rate bonds	1,882	1,121	1,046
Total loan capital	2,979	1,894	2,062
Included within loan capital is the following related party balance:			
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	1,097	773	1,016

AUD 207,450,000 loan

This loan was drawn down on 31 August 2004 and has an ultimate maturity date of 31 August 2014. The Bank may elect to repay the loan on 31 August each year commencing from 2009 through to 2013. All interest is payable half yearly in arrears, with interest payments due 28 February and 31 August. Interest is based on BBSW + 0.40% p.a. up until, and including, 31 August 2009 and increases to BBSW + 0.90% p.a. thereafter.

AUD 265,740,000 loan

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

AUD 186,100,000 loan

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15. LOAN CAPITAL (CONTINUED)

AUD 43,767,507 loan

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

AUD 169,520,000 loan

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

NZD term subordinated fixed rate bonds

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

New Zealand Exchange listed bonds

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

As at 30 June 2008, 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.

Perpetual Subordinated Bond

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

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.

As at 30 June 2008, these bonds carried an A+ rating by Standard and Poor's.

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

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

Non listed bond

<i>Issue date</i>	<i>Amount \$m</i>	<i>Coupon rate</i>	<i>Call date</i>	<i>Maturity date</i>
20 February 2003	100	6.46%	20 August 2008	20 August 2013

The Bank has elected to redeem these bonds on its call date. As at 30 June 2008, these bonds carried an AA- rating by Standard & Poor's.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

16. ORDINARY SHARE CAPITAL

	Consolidated		
	Unaudited 30/06/2008	Unaudited 30/06/2007	Audited 30/09/2007
	\$m	\$m	\$m
Ordinary share capital at beginning and end of the period	5,943	5,943	5,943

Voting rights

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

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

17. RESERVES AND RETAINED EARNINGS

	Consolidated		
	Unaudited 30/06/2008	Unaudited 30/06/2007	Audited 30/09/2007
	\$m	\$m	\$m
Available-for-sale revaluation reserve			
Balance at beginning of the period	(1)	3	3
Valuation gain (loss) recognised after tax	36	-	(1)
Cumulative gain transferred to the income statement on sale of financial assets	-	(3)	(3)
Balance at end of the period	35	-	(1)
Cash flow hedging reserve			
Balance at beginning of the period	84	52	52
Valuation (loss) gain recognised after tax	(19)	61	55
Transferred to income statement	(17)	(18)	(23)
Balance at end of the period	48	95	84
Total reserves	83	95	83
Retained earnings			
Balance at beginning of the period	2,677	2,235	2,235
Profit after income tax	960	848	1,168
Total available for appropriation	3,637	3,083	3,403
Actuarial (loss) gain on defined benefit schemes after tax	(8)	6	2
Interim ordinary dividends paid	-	(360)	(728)
Balance at end of the period	3,629	2,729	2,677

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY

Adoption of Basel II Accord

The Bank received accreditation from the RBNZ to adopt the internal ratings based approach under the Basel II Accord on 10 December 2007 for calculating capital adequacy ratios, effective 31 March 2008. The objective of the Basel II Accord is to develop capital adequacy guidelines that more accurately reflect a bank's individual risk profile. Basel II consists of three pillars - Pillar I covers the capital requirements for banks for credit, operational and market risks, Pillar II covers all other material risks not already included in Pillar I, and Pillar III relates to market disclosure. These market disclosure requirements are set out below.

CAPITAL ADEQUACY RATIOS UNDER THE BASEL II INTERNAL MODELS BASED APPROACH¹

	RBNZ minimum ratios 30/06/2008	Consolidated Unaudited 30/06/2008
Tier One Capital	4.00%	7.71%
Total Capital	8.00%	11.39%
Capital of the Banking Group as at 30 June 2008 (Unaudited)		\$m
Tier One Capital		
Ordinary share capital		5,943
Revenue and similar reserves		2,752
Current period's profit after tax		960
Less deductions from Tier One Capital		
- Goodwill		3,264
- Other intangible assets		50
- Equity investment in ING NZ		206
- Cash flow hedging reserve		48
- 50% of total expected loss to the extent greater than total eligible allowances for impairment		145
Total Tier One Capital		5,942
Tier Two Capital - Upper Level Tier Two Capital		
Perpetual subordinated debt		1,169
Tier Two Capital - Lower Level Tier Two Capital		
Term subordinated debt		1,810
		2,979
Less deductions from Tier Two Capital		
- 50% of total expected loss to the extent greater than total eligible allowances for impairment		145
Total Tier Two Capital		2,834
Total Capital		8,776

¹ Basel II capital ratios for the 30 June 2007 and 30 September 2007 comparative periods have not been provided as the information is not readily available. The Bank was accredited to adopt the internal models based approach under Basel II on 10 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY (CONTINUED)

Total required capital of the Banking Group as at 30 June 2008 (Unaudited)	Exposure at default \$m	Risk weighted exposure or implied risk weighted exposure \$m	Total capital requirement \$m
Internal ratings based approach	132,280	54,462	4,357
Specialised lending subject to the slotting approach	8,960	9,171	734
Other internal ratings based exposures	2,505	743	59
Equity exposures	238	1,009	81
Standardised approach	261	233	19
Total credit risk	144,244	65,618	5,250
Operational risk	n/a	5,593	447
Market risk	n/a	3,723	298
Supervisory adjustment ²	n/a	2,097	168
Total capital requirement	144,244	77,031	6,163

CAPITAL ADEQUACY RATIOS UNDER THE BASEL I APPROACH

	Consolidated			Registered Bank		
	Unaudited 30/06/2008	Unaudited 30/06/2007	Audited 30/09/2007	Unaudited 30/06/2008	Unaudited 30/06/2007	Audited 30/09/2007
Tier One Capital	7.76%	7.43%	7.19%	7.52%	7.10%	6.98%
Total Capital	11.56%	10.14%	10.08%	10.58%	8.94%	9.02%
Total risk-weighted exposures	78,457	69,864	71,311	76,385	68,214	69,489
RBNZ minimum ratios:						
Tier One Capital	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total Capital	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

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

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

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

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

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

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

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

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

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

Refer to the Banking Group's General Disclosure Statement for the six months ended 31 March 2008 for a more detailed description of the Banking Group's implementation of the IRB approach.

² The supervisory adjustment includes an adjustment of 15% of risk-weighted retail mortgages and an adjustment, if required, in order to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements, in accordance with the Bank's Conditions of Registration. No adjustment was required to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements at 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY (CONTINUED)

CREDIT RISK EXPOSURES SUBJECT TO THE INTERNAL RATINGS BASED APPROACH

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

Consolidated as at 30/06/2008 (Unaudited)						
	Total exposure or principal amount \$m	Exposure at default \$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure ³ \$m	Total capital requirement \$m
On-balance sheet exposures						
Corporate	34,699	34,557	40	64	23,339	1,867
Sovereign	976	958	5	1	12	1
Bank	6,034	5,857	67	15	936	75
Retail mortgages	49,511	49,511	22	24	12,755	1,020
Other retail	5,395	5,395	53	52	2,982	239
Total on-balance sheet exposures	96,615	96,278	33	39	40,024	3,202
Off-balance sheet exposures						
Corporate	13,928	13,310	51	55	7,730	619
Sovereign	106	96	5	2	2	-
Bank	1,347	1,233	55	29	376	30
Retail mortgages	5,639	6,296	23	31	2,064	165
Other retail	5,488	5,877	62	37	2,301	184
Total off-balance sheet exposures	26,508	26,812	47	44	12,473	998
Market related contracts						
Corporate	146,949	1,904	66	46	918	73
Sovereign	4,665	139	5	1	2	-
Bank	500,429	7,147	42	14	1,045	84
Total market related contracts	652,043	9,190	46	20	1,965	157
Total credit risk exposures subject to the internal ratings based approach	775,166	132,280	37	39	54,462	4,357

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY (CONTINUED)

Consolidated as at 30/06/2008 (Unaudited)						
	Probability of default %	Exposure at default \$m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure ³ \$m	Total capital requirement \$m
Corporate						
CCR rating						
0 - 2	0.04%	7,176	66	26	1,983	159
3 - 4	0.33%	20,269	41	44	9,373	750
5	1.02%	13,138	39	73	10,203	816
6	2.24%	7,062	40	97	7,227	578
7 - 8	7.62%	1,913	41	142	2,885	231
Default	100.00%	213	55	140	316	25
Total corporate credit risk exposures		49,771	44	61	31,987	2,559
Sovereign						
CCR rating						
0	0.01%	1,193	5	1	16	1
1	n/a	-	-	-	-	-
2	n/a	-	-	-	-	-
3	n/a	-	-	-	-	-
4 - 8	n/a	-	-	-	-	-
Default	n/a	-	-	-	-	-
Total sovereign credit risk exposures		1,193	5	1	16	1
Bank						
CCR rating						
0	0.01%	12,235	53	14	1,787	143
1	0.02%	979	57	16	164	13
2 - 4	0.08%	947	52	27	274	22
5 - 6	1.10%	40	68	115	49	4
7 - 8	5.80%	36	70	217	83	7
Default	n/a	-	-	-	-	-
Total bank credit risk exposures		14,237	53	16	2,357	189
Retail mortgages						
CCR rating						
0 - 3	0.23%	13,178	21	9	1,312	105
4	0.34%	21,295	22	13	2,930	234
5	0.94%	10,894	23	28	3,207	257
6	2.38%	7,434	25	54	4,265	341
7 - 8	11.65%	2,649	25	105	2,956	236
Default	100.00%	357	28	39	149	12
Total residential mortgage credit risk exposures		55,807	23	25	14,819	1,185
Other retail						
CCR rating						
0 - 2	0.10%	1,182	80	20	249	20
3 - 4	0.26%	4,561	55	24	1,172	94
5	1.12%	2,817	56	59	1,774	142
6	2.05%	1,972	54	70	1,460	117
7 - 8	11.65%	639	53	90	610	49
Default	100.00%	101	55	16	18	1
Total other retail credit risk exposures		11,272	58	44	5,283	423

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY (CONTINUED)

SPECIALISED LENDING SUBJECT TO THE SLOTTING APPROACH

	Consolidated as at 30/06/2008 (Unaudited)			
	Exposure amount	Risk weight	Risk weighted exposure ³	Total capital requirement
	\$m	%	\$m	\$m
On-balance sheet exposures⁴				
Strong	2,960	70	2,196	176
Good	2,415	90	2,304	184
Satisfactory	1,384	115	1,687	135
Weak	539	250	1,429	114
Default	47	-	-	-
Total on-balance sheet exposures subject to the slotting approach	7,345	98	7,616	609

	Exposure amount	EAD	Average risk weight	Risk weighted exposure ³	Total capital requirement
	\$m	\$m	%	\$m	\$m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	1,611	1,580	91	1,519	122
Market related contracts	3,203	35	97	36	3
Total off-balance sheet exposures subject to the slotting approach	4,814	1,615	91	1,555	125

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

OTHER IRB EXPOSURES

	Consolidated as at 30/06/2008 (Unaudited)			
	Exposure amount	Risk weight	Risk weighted exposure ³	Total capital requirement
	\$m	%	\$m	\$m
Cash and gold bullion	182	0	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	1,622	0	-	-
Other assets	701	100	743	59
Total other IRB credit risk exposures	2,505	28	743	59

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

A risk weight of 100% applies to premises and equipment and all other exposures not otherwise defined in the BS2B document, except for cash, gold, New Zealand dollar denominated claims on the Crown and the RBNZ, and other sovereign claims with an internal obligor rating of 1, which receive a 0% risk weight.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18. CAPITAL ADEQUACY (CONTINUED)

EQUITY EXPOSURES

Consolidated as at 30/06/2008 (Unaudited)				
Exposure amount	Risk weight	Risk weighted exposure ³	Total capital requirement	
\$m	%	\$m	\$m	\$m
All other equity holdings (not deducted from capital)	238	400	1,009	81

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

CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH

Consolidated as at 30/06/2008 (Unaudited)				
Exposure amount	Risk weight	Risk weighted exposure ³	Total capital requirement	
\$m	%	\$m	\$m	\$m
On-balance sheet exposures				
Corporates	118	69	86	7
Total on-balance sheet exposures subject to the standardised approach	118	69	86	7

Off-balance sheet exposures

Exposure amount	Average credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure ³	Total capital requirement
\$m	%	\$m	%	\$m	\$m
Undrawn commitments and other off balance sheet exposures	416	34	143	97	147

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

OPERATIONAL RISK

	Implied risk weighted exposure	Total operational risk capital requirement
	\$m	\$m
Operational risk capital requirement as at 30 June 2008 (Unaudited)		
Advanced Measurement Approach for operational risk	5,593	447

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

MARKET RISK

	Implied risk weighted exposure \$m	Aggregate capital charge \$m
Market risk capital requirement as at 30 June 2008 (Unaudited)		
Interest rate risk	3,633	291
Foreign currency risk	16	1
Equity risk	74	6
	3,723	298

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

CREDIT RISK MITIGATION

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

As at 30 June 2008, none of the credit risk exposures subject to the Standardised Approach were covered by eligible financial collateral. The Banking Group is not engaged in any credit derivative activity. Information on the total value of exposures covered by guarantees is not disclosed as the effect of these guarantees on the underlying credit risk exposures is not considered material.

RETAIL MORTGAGES BY LOAN-TO-VALUATION RATIO

As required by the RBNZ, LVRs are calculated as the current loan balance divided by the Bank's valuation of the security property at origination of the exposure.

LVR Range	Exposure amount ⁵ \$m
0% - 59%	22,102
60% - 69%	7,348
70% - 79%	9,525
80% - 89%	7,452
Over 90%	6,686
Total retail mortgage credit risk exposures subject to the internal ratings based approach	53,113

PILLAR II CAPITAL FOR OTHER MATERIAL RISKS⁶

	Total capital requirement \$m
Internal capital allocation for other material risks	154

The internal capital allocation for other material risks has been derived in accordance with the Bank's Conditions of Registration. The internal capital allocation for the Banking Group's other material risks as at 30 June 2008 was \$154 million, comprising premises and equipment risk and capitalised origination fees risk.

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

5. The exposure amount used to calculate LVR excludes commitments to lend.

6. The internal capital allocation for other material risks for the 30 June 2007 and 30 September 2007 comparative periods has not been provided as the information is not readily available. The Bank was only accredited to adopt the internal models based approach under Basel II on 10 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

19. CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk to individual counterparties

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

	Consolidated					
	Unaudited 30/06/2008 Number of Counterparties		Unaudited 30/06/2007 Number of Counterparties		Audited 30/09/2007 Number of Counterparties	
	As at	Peak for the quarter	As at	Peak for the quarter	As at	Peak for the quarter
10% to 20% of equity	1	1	2	2	2	2

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

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

	Consolidated					
	Unaudited 30/06/2008		Unaudited 30/06/2007		Audited 30/09/2007	
	Amount \$m	% of Total Credit Exposure	Amount \$m	% of Total Credit Exposure	Amount \$m	% of Total Credit Exposure
As at						
Investment grade credit rating ¹	1,926	100.0%	2,502	100.0%	2,509	100.0%

Concentrations of credit risk to bank counterparties

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

	Consolidated					
	Unaudited 30/06/2008 Number of Counterparties		Unaudited 30/06/2007 Number of Counterparties		Audited 30/09/2007 Number of Counterparties	
	As at	Peak for the quarter	As at	Peak for the quarter	As at	Peak for the quarter
10% to 20% of equity	2	3	2	3	1	3

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

	Consolidated					
	Unaudited 30/06/2008		Unaudited 30/06/2007		Audited 30/09/2007	
	Amount \$m	% of Total Credit Exposure	Amount \$m	% of Total Credit Exposure	Amount \$m	% of Total Credit Exposure
As at						
Investment grade credit rating ¹	2,926	100.0%	2,441	100.0%	1,193	100.0%

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

19. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Concentrations of credit risk to connected persons

	Consolidated					
	Unaudited 30/06/2008		Unaudited 30/06/2007		Audited 30/09/2007	
	Amount \$m	% of Tier One Capital	Amount \$m	% of Tier One Capital	Amount \$m	% of Tier One Capital
Aggregate at end of period						
Other connected persons ²	1,716	28.9%	1,429	27.5%	1,952	38.1%
Non-bank connected persons ³	-	0.0%	-	0.0%	-	0.0%
Peak end-of-day for the quarter ⁴						
Other connected persons	2,213	37.2%	1,868	36.0%	2,299	44.8%
Non-bank connected persons	-	0.0%	-	0.0%	-	0.0%
Rating-contingent limit ⁵						
Other connected persons	n/a	70.0%	n/a	75.0%	n/a	75.0%
Non-bank connected persons	n/a	15.0%	n/a	15.0%	n/a	15.0%

The credit exposure concentrations disclosed for connected persons are on the basis of actual gross exposures and exclusive of exposures of a capital nature. The peak end-of-day credit exposures for the quarter to connected persons are measured over Tier One Capital as at the end of the quarter. There were no individual provisions provided against credit exposures to connected persons as at 30 June 2008 (30/06/2007 \$nil; 30/09/2007 \$nil). The Banking Group had no contingent exposures arising from risk lay-off arrangements to connected persons as at 30 June 2008 (30/06/2007 \$nil; 30/09/2007 \$nil).

- The Banking Group has amounts due from its Parent Company and Ultimate Parent Company and other entities within the Ultimate Parent Group arising from the ordinary course of its business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 30 June 2008, the exposures to the Bank's Parent Company were \$nil (30/06/2007 \$239 million; 30/09/2007 \$249 million). As at 30 June 2008, the exposures to the Bank's Ultimate Parent Company were \$1,716 million (30/06/2007 \$1,191 million; 30/09/2007 \$1,703 million).
- Non-bank connected persons exposures consist of loans to directors of the Bank. Any loans are made in the ordinary course of business of the Bank, on an arm's length basis and on normal commercial terms and conditions.
- The method of calculating the peak end-of-day disclosure above differs from that applied in determining the connected persons' limit under the Bank's Conditions of Registration. The peak end-of-day disclosure is measured against Tier One Capital at quarter end whereas the connected persons' exposure under the Conditions of Registration is measured against Tier One Capital on a continuous basis. The Banking Group has complied with the limits on aggregate credit exposures (of a non-capital nature and net of individual provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the quarter.
- Represents the maximum peak end-of-day aggregate credit exposures limit (exclusive of exposures of a capital nature and net of individual provisions) to all connected persons. This is based on the rating applicable to the Bank's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars (refer page 37 for the credit rating). Within the overall limit a sub-limit of 15% of Tier One Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of individual provisions) to non-bank connected persons. On 4 May 2007, the connected persons' limit increased from 70% to 75% as a result of an improvement in the Bank's credit rating. On 18 March 2008, the Bank formally engaged Fitch Ratings to provide credit rating services. The Fitch Ratings rating of AA- has meant that from this date the connected persons' limit has decreased from 75% to 70% as the Fitch Ratings rating of AA- is lower than that given by Standard & Poor's and Moody's Investors Services.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20. MARKET RISK

RBNZ Market Risk Disclosure

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

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

	Consolidated					
	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Banking Group's Equity	
	As at \$m	Peak \$m	As at \$m	Peak \$m	As at	As at
Unaudited 30/06/2008						
Interest rate risk	3,633	4,078	291	326	3.0%	3.4%
Foreign currency risk	16	151	1	12	0.0%	0.1%
Equity risk	74	76	6	6	0.1%	0.1%
Unaudited 30/06/2007						
Interest rate risk	3,673	3,673	294	294	3.4%	3.4%
Foreign currency risk	74	126	6	10	0.1%	0.1%
Equity risk	3	3	0	0	0.0%	0.0%
Audited 30/09/2007						
Interest rate risk	3,778	4,668	302	373	3.5%	4.3%
Foreign currency risk	16	81	1	7	0.0%	0.1%
Equity risk	3	3	0	0	0.0%	0.0%

21. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Interest earning and discount bearing assets	105,467	94,773	98,298
Interest and discount bearing liabilities	95,330	84,256	88,405

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22. SEGMENTAL ANALYSIS

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

A summarised description of each business segment is shown below:

Retail Banking

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

Relationship Banking

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

Institutional

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

- Institutional - provides financial services to large multi-banked corporates, often global, who require sophisticated product and structuring solutions.
- Corporate Finance - provides complex financing and advisory services, structured financial products, leasing, private equity, project, export and leveraged finance.
- Markets - provides foreign exchange and commodity trading and sales-related services, origination, underwriting, structuring, risk management and sale of credit and derivative products globally.
- Working Capital - provide cash management, trade finance, international payments, clearing and custodian services.

Other

Includes Treasury and back office support functions, none of which constitutes a separately reportable segment. Truck Leasing Limited (trading as Esanda FleetPartners) is classified as a discontinued operation, and is included in the "Other" segment.

As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 2008 segment definitions.

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

	Consolidated				Total \$m
	Retail Banking \$m	Relationship Banking \$m	Institutional \$m	Other \$m	
Unaudited 9 months to 30/06/2008					
Net operating income	1,387	533	411	231	2,562
Profit before income tax	530	324	283	223	1,360
Unaudited 9 months to 30/06/2007					
Net operating income	1,313	483	308	173	2,277
Profit before income tax	575	306	210	138	1,229
Audited year to 30/09/2007					
Net operating income	1,794	648	435	234	3,111
Profit before income tax	766	409	307	224	1,706

1. Results are equity standardised

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. NOTES TO THE CASH FLOW STATEMENTS

	Consolidated		
	Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
Reconciliation of profit after income tax to net cash flows used in operating activities			
Profit after income tax	960	848	1,168
Non-cash items:			
Depreciation and amortisation	33	43	55
Provision for credit impairment	167	56	74
Deferred fee revenue and expenses	(3)	2	3
Share-based payments expense	11	10	12
Amortisation of capitalised brokerage/ mortgage origination fees	42	50	45
Deferrals or accruals of past or future operating cash receipts or payments:			
Increase in operating assets and liabilities	(5,096)	(6,565)	(4,731)
Decrease (increase) in interest receivable	14	(76)	(94)
Increase in interest payable	100	133	242
Increase in accrued income	(5)	(1)	(1)
Increase in accrued expenses	51	2	28
Decrease in provisions	(8)	(21)	(9)
Amortisation of premiums and discounts	40	42	46
(Increase) decrease in income tax	(58)	241	101
Items classified as investing/financing:			
Share of profit of equity accounted associates and jointly controlled entities	(102)	(17)	(24)
Gain on disposal of controlled entities	-	(76)	(76)
Gain on disposal of associates and jointly controlled entities	-	-	(2)
Loss (gain) on disposal of premises and equipment	1	-	-
Net cash flows used in operating activities	(3,853)	(5,329)	(3,163)

Reconciliation of core liquidity portfolio to cash and cash equivalents.

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

	Note	Consolidated		
		Unaudited 9 months to 30/06/2008 \$m	Unaudited 9 months to 30/06/2007 \$m	Audited Year to 30/09/2007 \$m
Total liquidity portfolio ¹		6,239	4,415	6,168
Add back:				
Liquid assets	4	1,604	1,953	1,873
Due from other financial institutions - less than 90 days	5	1,290	1,258	1,233
Deduct:				
Trading securities	6	(1,955)	(1,951)	(1,378)
Available-for-sale assets	8	-	-	(1)
Due from other financial institutions - greater than 90 days	5	(2,330)	(1,162)	(765)
Total cash and cash equivalents		4,848	4,513	7,130

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. PARENT COMPANY AND ULTIMATE PARENT COMPANY

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

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

Securitisation

The Banking Group has not securitised any of its own assets as at balance date. However, 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 disruptions were to intensify. From 31 July 2008, acceptable collateral will include residential mortgage backed securities ('RMBS') that satisfy RBNZ criteria. The Banking Group is establishing an in-house RMBS facility that will issue securities which meet these criteria, which will significantly increase the Bank's contingent funding ability from the RBNZ. The establishment of the RMBS will result in the securitisation of some of its assets.

Funds management

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

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

Funds management activities conducted by the ING New Zealand joint venture are not included in the funds managed by the Banking Group, as the Banking Group does not have control of the ING New Zealand joint venture.

Custodial services

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

Marketing and distribution of insurance products

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

Insurance business

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

Provision of financial services

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

The Banking Group has not provided any funding to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group (30/06/2007 \$nil; 30/09/2007 \$nil).

Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

Risk Management (continued)

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

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

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

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

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

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

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

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

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

26. COMMITMENTS

	Consolidated		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Capital expenditure			
Contracts for outstanding capital expenditure:			
Premises and equipment			
Not later than 1 year	26	15	15
Total capital expenditure commitments	26	15	15
Lease rentals			
Future minimum lease payments under non-cancellable operating leases:			
Premises and equipment			
No later than one year	81	84	85
Later than 1 year but not later than 5 years	157	157	163
Later than five years	27	28	32
Total lease rental commitments	265	269	280
Total commitments	291	284	295

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

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

	Consolidated Face or contract value		
	Unaudited 30/06/2008 \$m	Unaudited 30/06/2007 \$m	Audited 30/09/2007 \$m
Credit related commitments			
Commitments with certain drawdown due within one year	803	1,767	1,074
Commitments to provide financial services	24,124	20,748	20,751
Total credit related commitments	24,927	22,515	21,825
Contingent liabilities			
Financial guarantees	1,996	1,900	1,933
Standby letters of credit	487	528	528
Transaction related contingent items	777	404	398
Trade related contingent liabilities	348	150	123
Total contingent liabilities	3,608	2,982	2,982
Foreign exchange, interest rate and equity contracts			
Exchange rate contracts	103,285	72,397	94,287
Interest rate contracts	551,961	439,677	462,791
Equity contracts	-	20	20
Total foreign exchange, interest rate and equity contracts	655,246	512,094	557,098

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

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

Contingent tax liability

As previously disclosed, the New Zealand Inland Revenue Department ('IRD') is reviewing a number of structured finance transactions as part of an audit of the 2000 to 2005 tax years. This is part of an industry-wide review by the IRD of these transactions undertaken in New Zealand.

The Bank has received Notices of Proposed Adjustment (the 'Notices') in respect of some of these transactions. The Notices are formal advice that the IRD is proposing to amend tax assessments. The Notices are not tax assessments and do not establish a tax liability but are the first step in a formal disputes process.

As expected in March 2008 the IRD issued amended tax assessments as a follow up to the Notices in respect of four of these transactions for the 2003 tax year (prior to that tax year becoming statute-barred). We expect assessments for the 2003 income year for a further two transactions. The IRD has previously issued tax assessments as a follow up to the Notices in respect of two transactions for the 2000 tax year, four transactions for the 2001 tax year and five transactions in respect of the 2002 income year (in each case prior to that tax year becoming statute-barred). Proceedings disputing the amended tax assessments with respect to the 2000, 2001 and 2002 tax years have been commenced.

Based on the independent tax and legal advice obtained, the Bank is confident that the tax treatment it has adopted for these transactions and all similar transactions is correct.

The tax adjustments proposed so far by the IRD cover the 2000 to 2005 tax years and imply a maximum potential liability of \$224 million (\$338 million with interest tax effected).

The IRD is also investigating other transactions undertaken by the Banking Group, which have been subject to the same tax treatment. Should the same position be taken by the IRD for all years on all these transactions, including those that the Notices cover, the maximum potential liability would be approximately \$365 million (\$532 million with interest tax effected) as at 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

Contingent Tax Liability (Continued)

Of the maximum potential tax liability in dispute, it has been estimated that approximately \$99 million (\$149 million with interest tax effected) is subject to indemnities given by Lloyds TSB Bank plc under the agreement by which the Bank acquired the NBNZ Holdings Limited Group, and which relate to transactions undertaken by NBNZ Group before December 2003.

This leaves a net potential tax liability as at 30 June 2008 of \$266 million (\$383 million with interest tax effected).

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

Commerce Commission

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

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

ANZ National Bank Limited is defending the proceedings. The Bank has received independent legal advice. The Bank considers it has a strongly arguable case, but the matter is complex and difficult. At this stage any potential liabilities cannot be assessed with any certainty. A trial has been scheduled for October 2009.

ING New Zealand Funds

The Bank markets and distributes a range of wealth management products which are managed by ING (NZ) Limited (a company of which the Bank holds 49%). Trading in the ING Diversified Yield Fund and the ING Regular Income Fund was suspended on 13 March 2008 by the fund manager, ING (NZ) Limited, due to the deterioration in liquidity in credit markets.

The matter is being reviewed by both the Bank and ING (NZ) Limited and it is too early to assess the nature or quantum, of any, if any potential liability.

Other Contingent Liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate. As at 30 June 2008, there were no other contingent assets or liabilities required to be disclosed (30/06/2007 nil; 30/09/2007 nil).

28. SUBSEQUENT EVENTS

The financial statements were authorised for issue by the Directors on 20 August 2008. No subsequent events occurred between 30 June 2008 and the date of issue.

CONDITIONS OF REGISTRATION

Conditions of Registration, applicable as at 20 August 2008. These Conditions of Registration have applied from 31 March 2008.

The Bank's Conditions of Registration were revised on 31 March 2008 and 16 June 2008 in order to implement a new set of capital adequacy conditions for banks that have adopted the internal models based approach to capital adequacy and to correct the definition of the Parent Bank capital ratios, respectively. The conditions that were amended were conditions 1, 1A, 1B, 1C and 4. This has resulted in changes to the Banking Group's capital adequacy disclosures (refer to Note 18 Capital Adequacy). Condition 11 was also changed on 27 June 2008 to exclude the outsourcing functions provided to the bank by Electronic Services Limited and Interchange and Settlement Limited until 31 December 2008.

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

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

- (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than 8%;
- (b) the tier one capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than 4%; and
- (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than \$15 million.

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

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

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

1A. That-

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

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

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

- The total capital ratio of the Bank is not less than 8 %.
- The tier one capital ratio of the Bank is not less than 4%

CONDITIONS OF REGISTRATION

(CONTINUED)

For the purposes of this condition of registration:

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

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

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

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

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

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

CONDITIONS OF REGISTRATION

(CONTINUED)

9. That a substantial proportion of the Bank's business is conducted in and from New Zealand.
10. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the Bank unless:
 - (i) The Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee, and
 - (ii) The Reserve Bank has advised that it has no objection to that appointment.
11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:
 - (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;
 - (b) that the Bank's financial risk positions on a day can be identified on that day;
 - (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
 - (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

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

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

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

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

CREDIT RATING INFORMATION

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

Standard & Poor's	AA
Moody's Investors Service	Aa2
Fitch Ratings	AA-

The Standard & Poor's rating was issued on 22 February 2007. On this date Standard & Poor's revised the Bank's rating to AA from AA-. There have been no other changes in the credit rating issued in the past two years ended 30 June 2008. The rating is not subject to any qualifications.

The Moody's Investors Service was issued on 4 May 2007. On this date Moody's Investors Service revised the Bank's rating to Aa2 from Aa3. There have been no other changes in the credit rating issued in the past two years ended 30 June 2008. The rating is not subject to any qualifications.

Fitch Ratings was formally engaged by the Bank on 18 March 2008 to provide credit rating services. Previously Fitch Ratings had rated the Bank on an unsolicited basis as AA- and this rating was last affirmed on 26 October 2007. The rating is not subject to any qualifications.

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

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

DIRECTORS' STATEMENT

DIRECTORS' STATEMENT

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

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

Over the nine months ended 30 June 2008, after due enquiry, each Director believes that:

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

This General Short Form Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 20 August 2008. On that date, the Directors of the Bank were:

Dr D T Brash



Dr R J Edgar



N M T Geary, CBE



G K Hodges



P R Marriott



M R P Smith, OBE



Sir Dryden Spring



INDEPENDENT REVIEW REPORT FOR THE NINE MONTHS ENDED 30 JUNE 2008



INDEPENDENT REVIEW REPORT TO DIRECTORS OF ANZ NATIONAL BANK LIMITED

We have reviewed the interim financial statements on page 3 to 33 prepared and disclosed in accordance with Clause 19 of the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 2 to 8 of the Order. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of ANZ National Bank Limited and its subsidiary companies (the 'Banking Group') and their financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on page 8.

DIRECTORS' RESPONSIBILITIES

The Directors of ANZ National Bank Limited are responsible for the preparation and presentation of interim financial statements in accordance with clause 19 of the Order which gives a true and fair view of the financial position of the Banking Group as at 30 June 2008 and their financial performance and cash flows for the nine months ended on that date.

They are also responsible for the preparation of supplementary information which gives a true and fair view in accordance with Clause 19 of the order, of the matters to which it relates; and complies with schedules 2 to 8 of the order.

REVIEWERS' RESPONSIBILITIES

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Clause 19, Schedules 2 to 8 of the Order and presented to us by the Directors.

In respect to the interim financial statements we are responsible for reviewing these financial statements in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the interim financial statements do not present a true and fair view of the matters to which they relate, and for reporting our findings to you.

In respect to the supplementary information we report as to whether it is fairly stated rather than "True and fair", "True and fair view" only has meaning in the context of the financial statements because of their prescribed basis of preparation, i.e. generally accepted accounting practice ("GAAP"). This supplementary information does not and is not intended to comply with GAAP. As a result, we are responsible for reviewing the supplementary information in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the supplementary information does not fairly state the matters to which it relates, and for reporting our findings to you.

BASIS OF REVIEW OPINION

- We have performed our review in accordance with the review engagement standard RS-1 Statement of Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
- Our firm has also provided other services to the Registered Bank and Banking Group in relation to other audit related services. Partners and employees of our firm may also deal with the Registered Bank and Banking Group on normal terms within the ordinary course of trading activities of the business of the Registered Bank and Banking Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the Registered Bank and Banking Group. These matters have not impaired our independence as auditors of the Registered Bank and Banking Group. The firm has no other relationship with, or interest in, the Registered Bank and Banking Group.

REVIEW OPINION

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

- (a) the interim financial statements (excluding the supplementary information included in Notes 18, 19, 20, 21 and 25) do not present a true and fair view of the financial position of the Banking Group as at 30 June 2008 and their financial performance and cash flows for the nine months ended on that date;
- (b) the supplementary information disclosed in Notes 19, 20, 21 and 25 prescribed by Schedules 2, 3, and 5 to 8 of the Order is not fairly stated in accordance with those Schedules; and
- (c) the supplementary information relating to Capital Adequacy disclosed in Note 18 of the financial statements, as required by Schedule 4B of the Order, derived from the Registered Bank's financial statements and sources other than the Registered Banks' accounting records, is not in all material respects derived in accordance with the Bank's Conditions of Registration, with the Reserve Bank of New Zealand document Capital Adequacy Framework (Internal Models Based Approach) (BS2B), and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 4B of the Order.

Our review was completed on 20 August 2008 and our review opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG'.

Wellington

