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

FOR THE NINE MONTHS ENDED 30 JUNE 2010 | NUMBER 7 | ISSUED AUGUST 2010

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
- NEW ZEALAND BRANCH

GENERAL SHORT FORM DISCLOSURE STATEMENT

FOR THE NINE MONTHS
ENDED 30 June 2010

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

In this Disclosure Statement unless the context otherwise requires:

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

GENERAL MATTERS

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

The address for service for the Overseas Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

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

NATURE OF BUSINESS

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

RANKING OF LOCAL CREDITORS IN LIQUIDATION

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

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

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

(a) first, the ADI's liabilities to APRA (if any), because of the rights APRA has against the ADI because APRA has made, or is required to make, payments to depositors under the Financial Claims Scheme (defined below);
(b) second, the ADI's debts to APRA for costs incurred by APRA in administration of the Financial Claims Scheme in respect of the ADI;
(c) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI;
(d) fourth, the ADI’s debts (if any) to the Reserve Bank of Australia;
(e) fifth, the ADI’s liabilities (if any) under an industry support contract that is certified by APRA; and
(f) sixth, the ADI's other liabilities in the order of their priority (apart from section 13A(3)).

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

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

Section 13A(3) of the Banking Act affects all of the unsecured deposit liabilities of the NZ Branch which as at 30 June 2010 amounted to $nil (30/06/2009 $nil; 30/09/2009 $nil).

REQUIREMENT TO HOLD EXCESS ASSETS OVER DEPOSIT LIABILITIES
Section 13A(4) of the Banking Act states that it is an offence for an ADI not to hold assets (other than goodwill) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless APRA has authorised the ADI to hold assets of a lesser value. During the nine months ended 30 June 2010, the Overseas Bank has at all times held assets (other than goodwill and any assets or other amounts prescribed by APRA) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

Section 13E of the Banking Act states that APRA may give the Overseas Bank a direction that requires it to increase its level of capital.

The requirements of these sections of the Act have the potential to impact on the management of the liquidity of the NZ Banking Group.

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

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

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

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

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

A protected account includes accounts or covered financial products (defined below) kept by an account holder with an ADI and either:
- requiring the ADI to pay the account holder, on demand by the account holder or at a time agreed by them, the net credit balance of the account at the time of the demand or the agreed time; and
- an account prescribed by regulations.

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

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

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

Wholesale Funding Guarantee

The Wholesale Funding Guarantee is a deed governed by the laws of the State of New South Wales and has been executed by the Australian Treasurer on behalf of the Australian Government. Australian institutions which are ADIs under the Banking Act, which includes the Overseas Bank, were entitled to apply for the Wholesale Funding Guarantee prior to 25 March 2010 to apply to deposit accounts over A$1 million and certain funding liabilities.

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

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

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

In order to have the Wholesale Funding Guarantee apply, an ADI was required to apply to the Reserve Bank of Australia for an eligibility certificate. Fees were also paid, calculated by reference to the term and amount of the liabilities guaranteed and the credit rating of the ADI the fee which applied to the Overseas Bank based on its rating by Standard and Poor's of AA, was 70 basis points per annum applied in respect of its guaranteed liabilities in accordance with the Wholesale Funding Guarantee). The fees are levied on a monthly or quarterly basis depending on the liability. An ADI was able to apply for an eligibility certificate in respect of a program under which it issues debt instruments from time to time or on a series-by-series basis.

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

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

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

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

In the case of all instruments, they would be issued in bearer, registered or dematerialised form. An instrument could not be granted an eligibility certificate unless it was "not complex". The Government has published a list of the features that were likely to be regarded by the Government as "complex".

Wholesale Funding Guarantee (Continued)

If the Australian Government does not perform its obligations under the Wholesale Funding Guarantee, a beneficiary of the guarantee could sue the Commonwealth of Australia under the Judiciary Act 1903 of Australia. In such a suit, the rights of parties are similar to these in a suit between subjects of the Commonwealth of Australia. Jurisdiction to hear claims against the Commonwealth of Australia in contract is vested in certain Australian courts under the Judiciary Act 1903 of Australia. If a judgment is obtained against the Australian Government, no execution or attachment can be issued against the property or revenues of the Commonwealth of Australia. However, if any judgment is given against the Australian Government, the Minister for Finance is obliged to satisfy the judgment out of money legally available, on receipt of a certificate of the judgment issued by an officer of a court in which such judgment has been obtained.

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

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

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

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

The name of the Guarantor and address for service is: The Scheme Administrator, Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding, c/- The Secretary, Reserve Bank of Australia, 65 Martin Place, Sydney, New South Wales 2001, Australia.

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

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

New Zealand Guarantee Arrangements

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

PENDING PROCEEDINGS OR ARBITRATION

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

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

OTHER MATERIAL MATTERS

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

SUPPLEMENTAL DISCLOSURE STATEMENT

A copy of the most recent Supplemental Disclosure Statement for the nine months ended 30 June 2010 can be obtained immediately where request is made within normal banking hours at Level 6, 1 Victoria Street, Wellington, New Zealand. It is also available at no charge:

(a) on the NZ Banking Group's website at www.anz.com;
(b) immediately if request is made at the NZ Banking Group's head office; and
(c) within five working days of a request, if a request is made at any branch of the ANZ or The National Bank of New Zealand.

The NZ Banking Group's most recent Supplemental Disclosure Statement contains a copy of the 31 March 2010 Interim Financial Report for the Overseas Banking Group and a copy of the Deed of Guarantee for the Guarantee Scheme.

FINANCIAL STATEMENTS OF THE OVERSEAS BANK AND OVERSEAS BANKING GROUP

Copies of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided immediately, free of charge, to any person requesting a copy where the request is made at Level 6, 1 Victoria Street, Wellington, New Zealand. The most recent publicly available financial statements for the Overseas Bank and Overseas Banking Group can also be accessed at the internet address www.anz.com.

DIRECTORATE

Since the authorisation date of the previous General Disclosure Statement on 26 May 2010, there have been no changes to the Directors of Australia and New Zealand Banking Group Limited.

INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 JUNE 2010

$ millions	Note	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Interest income		**4,651**	5,912	7,479
Interest expense		**2,900**	4,147	5,181
Net interest income		**1,751**	1,765	2,298
Net trading gains		**47**	191	187
Net funds management and insurance income		**139**	72	97
Other operating income		**444**	267	383
Share of profit of equity accounted associates and jointly controlled entities		**37**	10	13
Operating income		**2,418**	2,305	2,978
Operating expenses		**1,137**	1,094	1,479
Profit before provision for credit impairment and income tax		**1,281**	1,211	1,499
Provision for credit impairment	10	**408**	532	883
Profit before income tax		**873**	679	616
Income tax expense	3	**253**	201	422
Profit after income tax		**620**	478	194

STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 JUNE 2010

$ millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Profit after income tax	**620**	478	194
Available-for-sale revaluation reserve:			
- Valuation gain before tax	**44**	3	2
Cash flow hedging reserve:			
- Valuation gain / (loss) before tax	**53**	(6)	(1)
- Transferred to income statement	**23**	(13)	(3)
Actuarial gain / (loss) on defined benefit schemes	**14**	(38)	(25)
Income tax credit / (expense) on items recognised directly in equity	**(36)**	19	10
Net income / (expense) recognised directly in equity	**98**	(35)	(17)
Total comprehensive income for the period	**718**	443	177

The notes on pages 11 to 27 form part of and should be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY AND HEAD OFFICE ACCOUNT
FOR THE NINE MONTHS ENDED 30 JUNE 2010

$ millions	Note	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Share capital & head office account				
Balance at beginning of the period		6,424	5,413	5,413
Movement in head office account		-	11	11
Redeemable preference shares issued in the period		-	1,000	1,000
Balance at end of the period		6,424	6,424	6,424
Available-for-sale revaluation reserve				
Balance at beginning of the period		25	23	23
Valuation gain recognised after tax		34	4	2
Balance at end of the period		59	27	25
Cash flow hedging reserve				
Balance at beginning of the period		23	24	24
Valuation gain / (loss) recognised after tax		38	(4)	-
Transferred to income statement		16	(8)	(1)
Balance at end of the period		77	12	23
Total reserves		136	39	48
Retained earnings				
Balance at beginning of the period		843	1,667	1,667
Profit after income tax attributable to parent		620	478	194
Total available for appropriation		1,463	2,145	1,861
Actuarial gain / (loss) on defined benefit schemes after tax		10	(27)	(18)
Ordinary dividends paid		-	(1,000)	(1,000)
Preference dividends paid		(441)	-	-
Balance at end of the period		1,032	1,118	843
Non-controlling interests				
Balance at beginning of the period		-	-	-
Acquired in a business combination	23	1	-	-
Balance at end of the period		1	-	-
Total equity & head office account				
Balance at beginning of the period		7,315	7,127	7,127
Total comprehensive income for the period		718	443	177
Transactions with head office		(441)	11	11
Non-controlling interests		1	-	-
Balance at end of the period		7,593	7,581	7,315

The notes on pages 11 to 27 form part of and should be read in conjunction with these financial statements.

BALANCE SHEET
AS AT 30 June 2010

$ millions	Note	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Assets				
Liquid assets	4	1,907	2,076	2,762
Due from other financial institutions	5	1,103	5,460	4,514
Trading securities	6	7,164	2,950	4,166
Derivative financial instruments	21	9,085	11,930	11,015
Available-for-sale assets	7	1,831	767	1,513
Net loans and advances	8	95,637	97,681	97,024
Investments relating to insurance business		34	-	-
Insurance policy assets		129	-	-
Shares in associates and jointly controlled entities		145	398	464
Current tax assets		40	156	115
Other assets		1,056	960	1,141
Deferred tax assets		359	269	-
Premises and equipment		307	258	278
Goodwill and other intangible assets		3,562	3,325	3,322
Total assets		122,359	126,230	126,314
Liabilities				
Due to other financial institutions	11	10,619	9,653	12,514
Deposits and other borrowings	12	71,839	70,846	71,764
Derivative financial instruments	21	9,068	11,743	10,974
Payables and other liabilities		1,378	1,635	1,547
Deferred tax liabilities		-	-	15
Provisions		325	370	283
Bonds and notes	13	17,403	19,769	17,540
Loan capital	14	2,368	2,867	2,596
Due to related entities		1,766	1,766	1,766
Total liabilities (excluding head office account)		114,766	118,649	118,999
Net assets (excluding head office account)		7,593	7,581	7,315
Represented by:				
Share capital & head office account		6,424	6,424	6,424
Reserves		136	39	48
Retained earnings		1,032	1,118	843
Equity & head office account		7,592	7,581	7,315
Non-controlling interests		1	-	-
Total equity and head office account		7,593	7,581	7,315

The notes on pages 11 to 27 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 JUNE 2010

$ millions	**Note**	**Unaudited 9 months to 30/06/2010**	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		**4,577**	5,933	7,368
Dividends received		**2**	1	3
Net cash from funds management & insurance		**83**	49	97
Fees and other income received		**612**	619	848
Interest paid		**(2,910)**	(4,148)	(5,137)
Operating expenses paid		**(1,059)**	(1,032)	(1,483)
Income taxes paid		**(561)**	(335)	(338)
Cash flows from operating profits before changes in operating assets and liabilities		**744**	1,087	1,358
Net changes in operating assets and liabilities:				
Change in due from other financial institutions - term		**2,184**	(1,835)	(246)
Change in trading securities		**(3,011)**	(293)	(1,505)
Change in derivative financial instruments		**1,342**	(1,477)	(3,494)
Change in available-for-sale assets		**(65)**	(651)	(1,388)
Change in insurance investment assets		**14**	-	-
Change in loans and advances		**730**	5	43
Change in other assets		**57**	(85)	(165)
Change in due to other financial institutions		**(1,809)**	6,298	9,630
Change in deposits and other borrowings		**(715)**	(4,760)	(3,965)
Change in payables and other liabilities		**(154)**	(53)	(167)
Net cash flows from / (used in) operating activities	**19**	**(683)**	(1,764)	101
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of shares in associates and jointly controlled entities		**1**	-	-
Proceeds from sale of premises and equipment		**1**	36	33
Proceeds from sale of software		**-**	-	3
Purchase of shares in associates and jointly controlled entities		**-**	(25)	(92)
Purchase of shares in subsidiary entities	**23**	**(247)**	-	-
Purchase of intangible assets		**(38)**	(19)	(21)
Purchase of premises and equipment		**(61)**	(61)	(95)
Net cash flows used in investing activities		**(344)**	(69)	(172)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bonds and notes		**3,098**	2,113	5,012
Redemptions of bonds and notes		**(3,691)**	(4,618)	(7,751)
Redemptions of loan capital		**(200)**	-	(225)
Proceeds from issue of redeemable preference shares		**-**	1,000	1,000
Dividends paid		**(441)**	(1,000)	(1,000)
Cash contributed from head office		**-**	11	11
Net cash flows used in financing activities		**(1,234)**	(2,494)	(2,953)
Net cash flows from / (used in) operating activities		**(683)**	(1,764)	101
Net cash flows used in investing activities		**(344)**	(69)	(172)
Net cash flows used in financing activities		**(1,234)**	(2,494)	(2,953)
Net decrease in cash and cash equivalents		**(2,261)**	(4,327)	(3,024)
Cash and cash equivalents at beginning of the period		**4,766**	7,790	7,790
Cash and cash equivalents at end of the period		**2,505**	3,463	4,766

The notes on pages 11 to 27 form part of and should be read in conjunction with these 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 - Overseas Incorporated Registered Banks) Order 2008. These financial statements should be read in conjunction with the NZ Banking Group's financial statements for the year ended 30 September 2009.

(ii) Basis of measurement

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

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

(iii) Changes in accounting policies

There have been no changes in accounting policies since the authorisation date of the General Disclosure Statement for the year ended 30 September 2009, on 24 November 2009.

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

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

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

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

(iv) Presentation currency and rounding

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

(v) Basis of aggregation

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

(vi) Comparatives

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

2. RISK MANAGEMENT POLICIES

There has been no material change in the NZ Banking Group's policies for managing risk, or material exposures to new types of risk since the authorisation date of the previous Disclosure Statement on 26 May 2010.

3. INCOME TAX EXPENSE

$ millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Income tax expense before tax provisions and the effect of changes in tax legislation	**253**	201	182
Change in tax provisions	**(44)**	-	240
Effect of changes in tax legislation	**44**	-	-
Income tax expense	**253**	201	422
Effective tax rate (%) before change in tax provisions and the effect of changes in tax legislation	**29.0%**	29.6%	29.5%
Effective tax rate (%)	**29.0%**	29.6%	68.5%

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

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

4. LIQUID ASSETS

$ millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Cash and balances with central banks	**1,603**	1,617	2,373
Money at call	**209**	402	341
Bills receivable and remittances in transit	**95**	57	48
Total liquid assets	**1,907**	2,076	2,762

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

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

6. TRADING SECURITIES

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

7. AVAILABLE-FOR-SALE ASSETS

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

8. NET LOANS AND ADVANCES

$ millions	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Audited 30/09/2009
Overdrafts	**2,217**	2,018	2,087
Credit card outstandings	**1,400**	1,410	1,402
Term loans - housing[1]	**53,575**	53,535	53,458
Term loans - non-housing	**39,095**	40,348	40,231
Finance lease receivables	**705**	699	683
Gross loans and advances	**96,992**	98,010	97,861
Provision for credit impairment (Note 10)	**(1,483)**	(1,038)	(1,281)
Unearned finance income	**(265)**	(279)	(262)
Fair value hedge adjustment	**384**	954	681
Deferred fee revenue and expenses	**(51)**	(53)	(53)
Capitalised brokerage / mortgage origination fees	**60**	87	78
Total net loans and advances	**95,637**	97,681	97,024

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

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

Individually impaired assets $ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Balance at beginning of the period	**387**	**59**	**740**	**1,186**
Transfers from productive	**423**	**205**	**919**	**1,547**
Transfers to productive	**(12)**	**(1)**	**(74)**	**(87)**
Assets realised or loans repaid	**(241)**	**(84)**	**(308)**	**(633)**
Write offs	**(44)**	**(97)**	**(48)**	**(189)**
Individually impaired asset balance at end of the period	**513**	**82**	**1,229**	**1,824**
Restructured items and other individually impaired assets	**7**	**-**	**-**	**7**
Total impaired assets	**520**	**82**	**1,229**	**1,831**
Unaudited 30/06/2009				
Balance at beginning of the period	83	30	214	327
Transfers from productive	373	188	470	1,031
Transfers to productive	(18)	(20)	(18)	(56)
Assets realised or loans repaid	(137)	(26)	(98)	(261)
Write offs	(16)	(108)	(45)	(169)
Individually impaired asset balance at end of the period	285	64	523	872
Restructured items and other individually impaired assets	1	-	-	1
Total impaired assets	286	64	523	873
Audited 30/09/2009				
Balance at beginning of the year	83	30	214	327
Transfers from productive	586	243	882	1,711
Transfers to productive	(22)	(20)	(25)	(67)
Assets realised or loans repaid	(232)	(45)	(230)	(507)
Write offs	(28)	(149)	(101)	(278)
Individually impaired asset balance at end of the year	387	59	740	1,186
Restructured items and other individually impaired assets	-	2	-	2
Total impaired assets	387	61	740	1,188

Restructured assets and other individually impaired assets

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

Assets acquired through enforcement of security

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

Past due assets

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

Other assets under administration

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

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

$ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Balance at end of period				
Past due assets (90 days past due assets)[1]	**182**	**44**	**149**	**375**
Other assets under administration	-	-	**1**	**1**
Undrawn facilities with impaired customers	-	-	**82**	**82**
Unaudited 30/06/2009				
Balance at end of period				
Past due assets (90 days past due assets)[1]	375	73	84	532
Other assets under administration	-	-	36	36
Undrawn facilities with impaired customers	-	-	32	32
Audited 30/09/2009				
Balance at end of year				
Past due assets (90 days past due assets)[1]	276	59	111	446
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	32	32

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

10. PROVISION FOR CREDIT IMPAIRMENT

$ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
Collective provision				
Balance at beginning of the period	**127**	**159**	**518**	**804**
Charge / (credit) to income statement	**(6)**	**(8)**	**64**	**50**
Balance at end of the period	**121**	**151**	**582**	**854**
Individual provision (individually impaired assets)				
Balance at beginning of the period	**156**	**40**	**281**	**477**
Charge to income statement	**120**	**92**	**146**	**358**
Recoveries of amounts previously written off	**1**	**12**	**2**	**15**
Bad debts written off	**(44)**	**(97)**	**(48)**	**(189)**
Discount unwind[1]	**(12)**	**(2)**	**(18)**	**(32)**
Balance at end of the period	**221**	**45**	**363**	**629**
Total provision for credit impairment	**342**	**196**	**945**	**1,483**
Unaudited 30/06/2009				
Collective provision				
Balance at beginning of the period	81	164	289	534
Charge / (credit) to income statement	22	(14)	92	100
Balance at end of the period	103	150	381	634
Individual provision (individually impaired assets)				
Balance at beginning of the period	28	10	94	132
Charge to income statement	100	116	216	432
Recoveries of amounts previously written off	1	13	-	14
Bad debts written off	(16)	(108)	(45)	(169)
Discount unwind[1]	-	-	(5)	(5)
Balance at end of the period	113	31	260	404
Total provision for credit impairment	216	181	641	1,038
Audited 30/09/2009				
Collective provision				
Balance at beginning of the year	81	164	289	534
Charge / (credit) to income statement	46	(5)	229	270
Balance at end of the year	127	159	518	804
Individual provision (individually impaired assets)				
Balance at beginning of the year	28	10	94	132
Charge to income statement	155	161	297	613
Recoveries of amounts previously written off	1	18	1	20
Bad debts written off	(28)	(149)	(101)	(278)
Discount unwind[1]	-	-	(10)	(10)
Balance at end of the year	156	40	281	477
Total provision for credit impairment	283	199	799	1,281

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

10. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)

Provision movement analysis $ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 30/06/2010				
New and increased provisions	**158**	**122**	**249**	**529**
Provision releases	**(37)**	**(18)**	**(101)**	**(156)**
	121	**104**	**148**	**373**
Recoveries of amounts previously written off	**(1)**	**(12)**	**(2)**	**(15)**
Individual provision charge	**120**	**92**	**146**	**358**
Collective provision charge / (credit)	**(6)**	**(8)**	**64**	**50**
Charge to income statement	**114**	**84**	**210**	**408**
Unaudited 30/06/2009				
New and increased provisions	104	131	221	456
Provision releases	(3)	(2)	(5)	(10)
	101	129	216	446
Recoveries of amounts previously written off	(1)	(13)	-	(14)
Individual provision charge	100	116	216	432
Collective provision charge / (credit)	22	(14)	92	100
Charge to income statement	122	102	308	532
Audited 30/09/2009				
New and increased provisions	165	182	316	663
Provision releases	(9)	(3)	(18)	(30)
	156	179	298	633
Recoveries of amounts previously written off	(1)	(18)	(1)	(20)
Individual provision charge	155	161	297	613
Collective provision charge / (credit)	46	(5)	229	270
Charge to income statement	201	156	526	883

11. DUE TO OTHER FINANCIAL INSTITUTIONS

$ millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Ultimate Parent Bank	**9,553**	7,051	9,286
Securities sold under agreements to repurchase from other financial institutions	**168**	79	159
Securities sold under agreements to repurchase from central banks	**-**	1,806	1,806
Other financial institutions	**898**	717	1,263
Total due to other financial institutions	**10,619**	9,653	12,514

12. DEPOSITS AND OTHER BORROWINGS

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

13. BONDS AND NOTES

$ millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Total bonds and notes	**17,403**	19,769	17,540
Included within bonds and notes are the following related party balances:			
Subsidiaries of the Ultimate Parent Bank	**2,263**	2,508	2,233

14. LOAN CAPITAL

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

15. CAPITAL ADEQUACY

Overseas Banking Group Basel II capital adequacy ratio (unaudited)

	30/06/2010	30/06/2009	30/09/2009
Tier One Capital	10.3%	9.7%	10.6%
Total Capital	12.6%	12.4%	13.7%

The Overseas Banking Group has accreditation from APRA to apply the Advanced Internal Ratings Based methodology for credit risk weighted assets and the Advanced Measurement Approach for operational risk weighted asset equivalent, under Basel II rules. The Overseas Banking Group met the requirements imposed by APRA as at 30 June 2010.

Further details of the Overseas Banking Group's capital adequacy requirements and credit risk management processes can be found in its 2009 Annual Report and report for the half year ended 31 March 2010. This report can be accessed at the following website address: www.anz.com.

Risk weighted credit risk exposures

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

Total risk weighted exposures of the NZ Banking Group as at 30 June 2010 (unaudited) were:

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	$m		$m
Cash and short term claims on Government	3,546	0%	-
Long term claims on Government	3,529	10%	353
Claims on banks	4,621	20%	924
Claims on public sector entities	806	20%	161
Residential mortgages	53,645	50%	26,823
Other	44,468	100%	44,468
Non risk weighted assets	11,744	n/a	-
	122,359		72,729

Off-balance sheet exposures	Principal amount	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure
	$m		$m		$m
Direct credit substitutes	1,719	100%	1,719	41%	704
Commitments with certain drawdown	582	100%	582	59%	346
Transaction related contingent items	878	50%	439	79%	347
Short term, self liquidating trade related contingencies	97	20%	19	98%	19
Other commitments to provide financial services which have an original maturity of 1 year or more	3,961	50%	1,981	100%	1,981
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	17,366	0%	-		-
Market related contracts [1]					
- Foreign exchange	140,956		6,382	21%	1,348
- Interest rate	489,448		8,451	23%	1,979
- Other	74		11	73%	8
	655,081		19,584		6,732

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

15. CAPITAL ADEQUACY (CONTINUED)

Total risk weighted exposures of the NZ Branch as at 30 June 2010 (unaudited) were:

On-balance sheet exposures	Principal amount $m	Risk weight	Risk weighted exposure $m
Cash and short term claims on Government	-	0%	-
Long term claims on Government	-	10%	-
Claims on banks	245	20%	49
Claims on public sector entities	-	20%	-
Residential mortgages	9,627	50%	4,814
Other	36	100%	36
Non risk weighted assets	35	n/a	-
	9,943		4,899

Off-balance sheet exposures	Principal amount $m	Credit conversion factor	Credit equivalent amount $m	Average risk weight	Risk weighted exposure $m
Direct credit substitutes	-	100%	-	n/a	-
Commitments with certain drawdown	-	100%	-	n/a	-
Transaction related contingent items	-	50%	-	n/a	-
Short term, self liquidating trade related contingencies	-	20%	-	n/a	-
Other commitments to provide financial services which have an original maturity of 1 year or more	41	50%	21	100%	21
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	-	0%	-	n/a	-
Market related contracts [1]					
- Foreign exchange	9,558		56	20%	11
- Interest rate	16,240		94	20%	19
- Other	-		-	n/a	-
	25,839		171		51

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

Market risk

The aggregate market risk exposures below have been calculated in accordance with the RBNZ document entitled 'Market risk guidance notes' (BS6). The peak for all categories of exposure may not have occurred at the same time.

The peak end-of-day market risk exposures for the quarter are measured as a percentage of the Overseas Banking Group's most recently publicly disclosed equity as at 31 March 2010 (30/06/2009: 31 March 2009; 30/09/2009: 30 September 2009) and are calculated separately for each category of exposure.

$ millions	Implied risk weighted exposure		Aggregate capital charge		As a percentage of the Overseas Banking Group's equity	
	As at	Peak	As at	Peak	As at	Peak
Unaudited 30/06/2010						
Interest rate risk	3,850	4,486	308	359	0.7%	0.9%
Foreign currency risk	59	89	5	7	0.0%	0.0%
Equity risk	79	96	6	8	0.0%	0.0%
	3,988		319			
Unaudited 30/06/2009						
Interest rate risk	3,714	3,714	297	297	0.9%	0.9%
Foreign currency risk	18	140	1	11	0.0%	0.0%
Equity risk	81	91	6	7	0.0%	0.0%
	3,813		304			
Audited 30/09/2009						
Interest rate risk	3,990	4,321	320	346	0.8%	0.9%
Foreign currency risk	5	301	-	24	0.0%	0.1%
Equity risk	69	82	6	7	0.0%	0.0%
	4,064		326			

15. CAPITAL ADEQUACY (CONTINUED)

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

Retail mortgages by LVR ratio for the NZ Banking Group as at 30 June 2010 (unaudited):

	Exposure Amount $m
LVR range	
0% - 80%	**43,168**
80% - 90%	**6,187**
Over 90%	**5,129**
	54,484

16. CONCENTRATIONS OF CREDIT RISK

The NZ Banking Group has no credit exposures, on the basis of limits, to individual counterparties or groups of closely related counterparties (whether bank or non-bank exposures) which equal or exceed 10% of the Overseas Banking Group's equity as at 30 June 2010, 30 June 2009 or 30 September 2009, or in respect of peak end-of-day aggregate credit exposures for the nine months ended 30 June 2010. The peak end-of-day exposures have been calculated using the Overseas Banking Group equity as at 31 March 2010 (30/06/2009: 31 March 2009; 30/09/2009: 30 September 2009). These calculations exclude credit exposures to the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent.

17. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

$ millions	**Unaudited 30/06/2010**	Unaudited 30/06/2009	Audited 30/09/2009
Interest earning and discount bearing assets	**106,867**	108,799	109,699
Interest and discount bearing liabilities	**99,378**	100,576	101,741

18. SEGMENTAL ANALYSIS

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

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

A summarised description of each business segment is shown below:

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

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

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

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

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

BUSINESS SEGMENT ANALYSIS[1,2]

			NZ Banking Group		
$ millions	**Retail[3]**	**Commercial**	**Institutional**	**Other**	**Total**
Unaudited 9 months to 30/06/2010					
External revenues[3]	**2,214**	**1,491**	**(3)**	**(1,284)**	**2,418**
Intersegment revenues	**(931)**	**(837)**	**483**	**1,285**	**-**
Total revenues	**1,283**	**654**	**480**	**1**	**2,418**
Profit before income tax[3]	**306**	**193**	**393**	**(19)**	**873**
Unaudited 9 months to 30/06/2009					
External revenues[3]	2,156	1,758	80	(1,689)	2,305
Intersegment revenues	(1,113)	(1,109)	551	1,671	-
Total revenues	1,043	649	631	(18)	2,305
Profit before income tax[3]	97	242	426	(86)	679
Audited year to 30/09/2009					
External revenues[3]	2,925	2,260	7	(2,214)	2,978
Intersegment revenues	(1,470)	(1,397)	757	2,110	-
Total revenues	1,455	863	764	(104)	2,978
Profit before income tax[3]	136	171	500	(191)	616

1. Results are equity standardised.
2. Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
3. Includes a loss of $67 million (30/09/2009 nil; 31/12/2008 nil) on acquisition of ING NZ and a charge of $nil (30/09/2009 $211 million; 31/12/2008 $161 million) in relation to ING NZ funds.
4. The Institutional and Other segments have negative external revenues as these segments incur funding costs on behalf of the NZ Banking Group, and are reimbursed internally.

19. NOTES TO THE CASH FLOW STATEMENT

$ millions	Unaudited 9 months to 30/06/2010	Unaudited 9 months to 30/06/2009	Audited Year to 30/09/2009
Reconciliation of profit after income tax to net cash flows provided by / (used in) operating activities			
Profit after income tax	**620**	478	194
Non-cash items:			
Depreciation and amortisation	**48**	35	50
Provision for credit impairment	**408**	532	883
Deferred fee revenue and expenses	**(6)**	4	(8)
Share-based payments expense	**15**	14	18
Amortisation of capitalised brokerage/ mortgage origination fees	**34**	40	54
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	**(1,442)**	(2,851)	(1,346)
Change in interest receivable	**11**	115	138
Decrease in interest payable	**(91)**	(268)	(259)
Change in accrued income	**(2)**	(2)	1
Change in accrued expenses	**58**	43	41
Change in provisions	**(51)**	180	100
Amortisation of premiums and discounts	**22**	77	76
Change in insurance policy assets	**(33)**	-	-
Change in insurance investment assets	**(8)**	-	-
Change in net income tax assets and liabilities	**(308)**	(134)	183
Items classified as investing/financing:			
Share of profit of equity accounted associates and jointly controlled entities	**(37)**	(10)	(11)
Impairment of associates	**4**	-	-
Remeasuring existing equity interests to fair value	**67**	-	-
Loss / (gain) on disposal of premises and equipment and intangibles	**8**	(17)	(13)
Net cash flows from operating activities	**(683)**	(1,764)	101

Reconciliation of core liquidity portfolio to cash and cash equivalents

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

$ millions	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Cash and balances with central banks	**1,427**	1,445	2,207
Securities purchased under agreement to resell	**301**	275	1,075
Certificates of deposit	**876**	4,459	2,736
Government and local body stock and bonds	**3,311**	1,225	1,102
Available-for-sale assets	**1,454**	622	1,435
Other bank bonds	**2,957**	1,625	2,522
Total liquidity portfolio	**10,326**	9,651	11,077
Reconciliation to cash and cash equivalents:			
Other cash items not included within liquidity portfolio:			
Liquid assets not with central banks	**480**	632	556
Due from other financial institutions - less than 90 days	**247**	324	550
Non-cash items included within liquidity portfolio			
Trading securities	**(6,606)**	(2,525)	(3,624)
Available-for-sale assets	**(1,454)**	(622)	(1,435)
Due from other financial institutions - greater than 90 days	**(488)**	(3,997)	(2,358)
Total cash and cash equivalents	**2,505**	3,463	4,766
Reconciliation of cash and cash equivalents to the balance sheet			
Liquid assets	**1,907**	2,077	2,763
Due from other financial institutions - less than 90 days	**598**	1,386	2,003
Total cash and cash equivalents	**2,505**	3,463	4,766

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

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

Securitisation

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

Funds management

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

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

Custodial services

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

Insurance business

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

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

Provision of financial services

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

The NZ Banking Group has not provided any funding, except standard lending facilities provided in the normal course of businesses on arms length terms, to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the NZ Banking Group (30/06/2009 $nil; 30/09/2009 $nil).

21. NOTIONAL VALUE OF DERIVATIVES

$ millions	Nominal value		
	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Exchange rate derivatives	**140,956**	110,035	108,375
Interest rate derivatives	**489,448**	471,420	476,674
Commodity derivatives	**74**	44	36
Total derivatives	**630,478**	581,499	585,085

22. CREDIT RELATED COMMITMENTS AND CONTINGENT LIABILITIES

$ millions	Nominal or contract value		
	Unaudited 30/06/2010	Unaudited 30/06/2009	Audited 30/09/2009
Credit related commitments			
Commitments with certain drawdown due within one year	**582**	792	735
Commitments to provide financial services	**21,327**	23,181	22,128
Total credit related commitments	**21,909**	23,973	22,863
Contingent liabilities			
Financial guarantees	**1,666**	1,799	1,753
Standby letters of credit	**53**	440	341
Transaction related contingent items	**878**	1,033	982
Trade related contingent liabilities	**97**	77	89
Total contingent liabilities	**2,694**	3,349	3,165

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

Commerce Commission

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

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

In particular the NZ Banking Group is aware that the Commerce Commission is investigating the level of default fees charged on credit cards, the level of currency conversion charges on overseas transactions using credit cards and also informal excess arrangements on credit cards under the CCCFA. At this stage the possible outcome of these investigations and any liability or impact on fees cannot be determined with any certainty.

The Commission has concluded its investigation into early repayment charges on fixed rate mortgages and credit card late payment fees, with no action being taken against the NZ Banking Group.

22. CREDIT RELATED COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

ING NZ Funds

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

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

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

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

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

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

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

Other contingent liabilities

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate. As at 30 June 2010, there were no other contingent assets or liabilities required to be disclosed (30/06/2009 nil; 30/09/2009 nil).

23. BUSINESS COMBINATIONS

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

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

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

1. Includes receivables with a fair value of $16 million and a gross contractual amount receivable of $17 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected on these receivables is $1 million.
2. Includes employee related provisions and the fair value of contingent liabilities, which relate to possible claims by investors in the Funds and investigations by regulatory bodies and other actual and potential claims and proceedings (refer to the Credit Related Commitments and Contingent Liabilities note). The expected timing and ultimate cost of contingent liabilities to the NZ Banking Group will depend on the assessment and outcome of customer complaints, and the results of any litigation and regulatory investigations or proceedings that may be brought.
3. Non-controlling interests are measured at their proportionate share of the identifiable net assets of the Funds.
4. The loss on re-measuring existing equity interests of $82 million has been offset by a gain of $15 million as a result of the value of the net assets acquired being greater than the total consideration. The net loss, of $67 million, has been recognised in Other Operating Income in the Income Statement.

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

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

24. SUBSEQUENT EVENTS

There have been no material subsequent events.

Conditions of Registration, applicable as at 25 August 2010.

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

1. That the New Zealand Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

2. That the New Zealand Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

   i. Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   ii. In measuring the size of the New Zealand Banking Group's insurance business:

      a. where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
         - The total consolidated assets of the group headed by that entity;
         - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

      b. otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

      c. the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

      d. where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the Australia and New Zealand Banking Group Limited.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:

   i. the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   ii. the Reserve Bank has advised that it has no objection to that appointment.

5. That Australia and New Zealand Banking Group Limited complies with the requirements imposed on it by the Australian Prudential Regulation Authority.

6. That Australia and New Zealand Banking Group Limited complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:

   - tier one capital of the Australia and New Zealand Banking Group Limited is not less than 4 percent of risk weighted exposures;
   - capital of Australia and New Zealand Banking Group Limited is not less than 8 percent of risk weighted exposures.

7. That the business of the registered bank in New Zealand is restricted to:
   i. acquiring for fair value, and holding, mortgages originated by ANZ National Bank Limited; and
   ii. any other business for which the prior written approval of the Reserve Bank of New Zealand has been obtained; and
   iii. activities that are necessarily incidental to the business specified in paragraphs (i) and (ii).

8. That the value of the mortgages held by the registered bank in New Zealand must not exceed $15 billion in aggregate.

9. That the registered bank in New Zealand may not incur any liabilities except:

   i. to the government of New Zealand in respect of taxation and other charges; and
   ii. to other branches or the head office of the registered bank; and
   iii. to trade creditors and staff; and
   iv. to ANZ National Bank Limited in respect of activities, other than borrowing, that are necessarily incidental to the business specified in paragraphs (i) and (ii) of condition 7; and
   v. any other liabilities for which the prior written approval of the Reserve Bank has been obtained.

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

Credit Ratings applicable as at 25 August 2010

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

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	**AA**	Outlook Stable
Moody's Investors Service	**Aa1**	Outlook Negative
Fitch Ratings	**AA-**	Outlook Positive

On 20 May 2010, Fitch changed the outlook on the Overseas Bank from Stable to Positive. On 2 March 2009, Moody's changed the outlook on ANZ Banking Group Limited from Stable to Negative. Moody's commented at the time "The negative outlook reflects the potential for the deepening global economic downturn to have a protracted impact on the banks' asset quality and earnings". During the two year period ended 30 June 2010 there were no other changes to the Overseas Bank's credit ratings or qualifications.

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

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

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

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

i. The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Registered Banks) Order 2008;

ii. The Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the nine months ended 30 June 2010:

i. The NZ Banking Group has complied with all the conditions of registration;

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

This General Short Form Disclosure Statement is dated this 25 August 2010, and has been signed by the Chairman of the Overseas Bank as agent for all Directors and by the Chief Executive Officer, NZ Branch.

J P Morschel	**S R Peterson**
Chairman	**Chief Executive Officer, NZ Branch**

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

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

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

We have reviewed the interim financial statements on pages 7 to 27 prepared and disclosed in accordance with Clause 19 of the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 2 to 6. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of Australia and New Zealand Banking Group Limited - New Zealand Branch and its related entities (the 'NZ Banking Group') and their financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on page 11.

Directors' responsibilities

The Directors of Australia and New Zealand Banking Group Limited - New Zealand Branch are responsible for the preparation and presentation of interim financial statements in accordance with Clause 19 of the Order which give a true and fair view of the financial position of the NZ Banking Group as at 30 June 2010 and its financial performance and cash flows for the nine months ended on that date.

They are also responsible for the preparation of supplementary information which gives a fair view, in accordance with the Order, of the matters to which it relates; and complies with Schedules 2 to 6 of the Order.

Reviewers' responsibilities

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Schedules 3, 5 to 6, and Clause 15 of Schedule 2 of the Order presented to us by the Directors and reporting our findings to you.

It is also our responsibility to express a review opinion to state whether, the supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 4 of the Order, is in all material respects prepared and disclosed in accordance with Capital Adequacy Framework (Basel 1 Approach) and Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 4 and for reporting our findings to you.

Basis of review opinion

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

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

Review Opinion

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

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

b. the supplementary information disclosed in Notes 16, 17 and 20 prescribed by Schedules 3, 5 to 6 and Clause 15 of Schedule 2 of the Order is not fairly stated in accordance with those Schedules; and

c. the supplementary information relating to Capital Adequacy disclosed in Note 15 of the interim financial statements, as required by Schedule 4 of the Order, is not in all material respects prepared in accordance with Capital Adequacy Framework (Basel 1 Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A), and disclosed in accordance with Schedule 4 of the Order.

Our review was completed on 25 August 2010 and our review opinion is expressed as at that date.

KPMG

Wellington