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# *General Short Form Disclosure Statement*

Australia and New Zealand Banking Group Limited  
– New Zealand Branch

For the nine months ended 30 June 2009

No 3, issued August 2009



AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
- NEW ZEALAND BRANCH

## **GENERAL SHORT FORM DISCLOSURE STATEMENT**

FOR THE NINE MONTHS  
ENDED 30 JUNE 2009

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## AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

### GENERAL DISCLOSURES

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

In this Disclosure Statement unless the context otherwise requires:

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

#### GENERAL MATTERS

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

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

#### RANKING OF LOCAL CREDITORS IN LIQUIDATION

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

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

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

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

Under section 13A(1) of the Banking Act, in certain circumstances APRA may take control of an ADI or appoint an administrator (defined in the Banking Act) to take control of its 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) affects all of the unsecured deposit liabilities of the NZ Branch which as at 30 June 2009 amounted to \$nil. (30/06/2008 \$nil; 30/09/2008 \$nil).

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

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**REQUIREMENT TO HOLD EXCESS ASSETS OVER DEPOSIT LIABILITIES**

Section 13A(4) of the Banking Act (the "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 2009, the Overseas Bank has at all times held assets (other than goodwill) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia. The requirements of this section of the Act have the potential to impact on the management of the liquidity of the NZ Banking Group.

**GUARANTEES**

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

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

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

**Financial Claims Scheme**

Under the Financial Claims Scheme if:

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

then each account holder of a Protected Account (defined below) with that ADI is entitled to be paid by APRA an amount equal to the balance of the protected account plus accrued interest which has been credited 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 is:

- accounts or covered financial products (defined below) kept under an agreement between the account holder and the ADI 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. A list is available at [www.treasury.gov.au](http://www.treasury.gov.au). The list 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.

**Wholesale Funding Guarantee**

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

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

## AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

### GENERAL DISCLOSURES (CONTINUED)

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#### **Wholesale Funding Guarantee (continued)**

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

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

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

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

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

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

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

## AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

### GENERAL DISCLOSURES (CONTINUED)

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#### ***Wholesale Funding Guarantee (continued)***

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

The Australian Government has announced the Wholesale Funding Guarantee will be reviewed on an ongoing basis and revised if necessary.

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.

The Australian Government may also amend the terms of the Wholesale Funding Guarantee at any time at its discretion, provided that (except insofar as such amendment is required by law) such amendment does not reduce the Australian Government's obligations to the beneficiaries under the Wholesale Funding Guarantee in a manner which is prejudicial to the interests of the beneficiaries in respect of any subsisting liability of the Overseas Bank guaranteed under the Wholesale Funding Guarantee.

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](http://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](http://www.treasury.gov.au), [www.apra.gov.au](http://www.apra.gov.au) and [www.guaranteescheme.gov.au](http://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](http://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 ("Crown Retail Guarantee") and New Zealand Wholesale Funding Guarantee Facility ("Crown Wholesale Guarantee") respectively. The Registered Bank does not have a guarantee under either Scheme.

#### **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 2009 can be obtained immediately where request is made within normal banking hours at the NZ Branch head office, Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington. It is also available at no charge:

- (a) on the NZ Banking Group's website at [www.anz.com](http://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 National Bank of New Zealand.

The NZ Banking Group's most recent Supplemental Disclosure Statement contains a copy of the 31 March 2009 Interim Financial Report for the Overseas Banking Group and a copy of the Deed of Guarantee for the Guarantee Scheme.

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

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**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 the NZ Branch's head office, Level 14, ANZ Tower, 215-229 Lambton Quay, Wellington. 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](http://www.anz.com)

**DIRECTORATE**

Since the authorisation date of the previous General Disclosure Statement on 26 May 2009, there have been no changes to the Directors of the Overseas Banking Group.

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

INCOME STATEMENT  
FOR THE NINE MONTHS ENDED 30 JUNE 2009

	Note	Consolidated		
		Unaudited 9 months to 30/06/2009 \$m	Unaudited 9 months to 30/06/2008 \$m	Audited Year to 30/09/2008 \$m
Interest income		5,912	7,244	9,858
Interest expense		4,147	5,726	7,829
Net interest income		1,765	1,518	2,029
Net trading gains		191	216	272
Other operating income		339	535	743
Share of profit of equity accounted associates and jointly controlled entities		10	102	111
Operating income		2,305	2,371	3,155
Operating expenses		1,094	1,035	1,445
Profit before provision for credit impairment and income tax		1,211	1,336	1,710
Provision for credit impairment	10	532	167	302
<b>Profit before income tax</b>		<b>679</b>	<b>1,169</b>	<b>1,408</b>
Income tax expense	3	201	336	418
<b>Profit after income tax</b>		<b>478</b>	<b>833</b>	<b>990</b>

The notes on pages 11 to 32 form part of and should be read in conjunction with these financial statements



**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH**

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

	Note	Consolidated		
		Unaudited 9 months to 30/06/2009 \$m	Unaudited 9 months to 30/06/2008 \$m	Audited Year to 30/09/2008 \$m
<b>Available-for-sale revaluation reserve:</b>				
- Valuation gain taken to equity		3	36	26
<b>Cash flow hedging reserve:</b>				
- Valuation loss taken to equity		(6)	(26)	(47)
- Transferred to income statement		(13)	(26)	(37)
Actuarial loss on defined benefit schemes		(38)	(12)	(33)
Income tax credit on items recognised directly in equity		19	20	34
<b>Net expense recognised directly in equity</b>		<b>(35)</b>	<b>(8)</b>	<b>(57)</b>
<b>Profit after income tax</b>		<b>478</b>	<b>833</b>	<b>990</b>
<b>Total recognised income and expense for the period</b>		<b>443</b>	<b>825</b>	<b>933</b>

The notes on pages 11 to 32 form part of and should be read in conjunction with these financial statements

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

**BALANCE SHEET  
AS AT 30 JUNE 2009**

		<b>Consolidated</b>		
	<b>Note</b>	<b>Unaudited 30/06/2009 \$m</b>	<b>Unaudited 30/06/2008 \$m</b>	<b>Audited 30/09/2008 \$m</b>
<b>Assets</b>				
Liquid assets	<b>4</b>	<b>2,076</b>	3,226	4,839
Due from other financial institutions	<b>5</b>	<b>5,460</b>	4,465	5,032
Trading securities	<b>6</b>	<b>2,950</b>	2,306	2,624
Derivative financial instruments		<b>11,930</b>	4,353	7,603
Available-for-sale assets	<b>7</b>	<b>767</b>	105	109
Net loans and advances	<b>8</b>	<b>97,681</b>	95,296	97,679
Due from related entities		-	-	1
Shares in associates and jointly controlled entities		<b>398</b>	356	363
Current tax assets		<b>156</b>	215	154
Other assets		<b>960</b>	1,049	1,000
Deferred tax assets		<b>269</b>	58	118
Premises and equipment		<b>258</b>	239	242
Goodwill and other intangible assets		<b>3,325</b>	3,315	3,314
<b>Total assets</b>		<b>126,230</b>	114,983	123,078
<b>Liabilities</b>				
Due to other financial institutions	<b>11</b>	<b>9,653</b>	2,619	3,311
Deposits and other borrowings	<b>12</b>	<b>70,846</b>	75,266	77,136
Derivative financial instruments		<b>11,743</b>	4,141	6,472
Payables and other liabilities		<b>1,635</b>	1,609	1,874
Provisions		<b>370</b>	157	190
Bonds and notes	<b>13</b>	<b>19,769</b>	19,425	22,382
Loan capital	<b>14</b>	<b>2,867</b>	2,979	2,820
Term Funding	<b>15</b>	<b>1,766</b>	1,766	1,766
<b>Total liabilities (excluding Head Office Account)</b>		<b>118,649</b>	107,962	115,951
<b>Net assets (excluding Head office Account)</b>		<b>7,581</b>	7,021	7,127
<b>Represented by:</b>				
Ordinary share capital & Head Office Account	<b>16</b>	<b>6,424</b>	5,413	5,413
Reserves	<b>17</b>	<b>39</b>	83	47
Retained earnings	<b>17</b>	<b>1,118</b>	1,525	1,667
<b>Total equity &amp; Head Office Account</b>		<b>7,581</b>	7,021	7,127

The notes on pages 11 to 32 form part of and should be read in conjunction with these financial statements

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH**

**CASH FLOW STATEMENT  
FOR THE NINE MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited</b>	<b>Consolidated</b>	
<b>Note</b>	<b>9 months to</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30/06/2009</b>	<b>9 months to</b>	<b>Year to</b>
	<b>\$m</b>	<b>30/06/2008</b>	<b>30/09/2008</b>
		<b>\$m</b>	<b>\$m</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received	5,933	6,991	9,503
Dividends received	1	-	4
Fees and other income received	668	787	1,062
Interest paid	(4,148)	(5,320)	(7,216)
Operating expenses paid	(1,032)	(946)	(1,313)
Income taxes paid	(335)	(394)	(461)
Cash flows from operating profits before changes in operating assets and liabilities	<b>1,087</b>	1,118	1,579
Net changes in operating assets and liabilities:			
Increase in due from other financial institutions - term	(1,835)	(1,448)	(630)
Increase in trading securities	(293)	(328)	(617)
(Increase) decrease in derivative financial instruments	(1,477)	(114)	1,361
Increase in available-for-sale assets	(651)	(18)	(36)
Decrease (increase) in loans and advances	5	(7,372)	(9,522)
(Increase) decrease in other assets	(85)	(34)	28
Increase (decrease) in due to other financial institutions	6,298	(551)	141
Increase in deposits	456	1,911	3,373
(Decrease) increase in other borrowings	(5,216)	2,589	2,044
(Decrease) increase in payables and other liabilities	(53)	10	159
<b>Net cash flows used in operating activities</b>	<b>(1,764)</b>	(4,237)	(2,120)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of premises and equipment	36	4	2
Purchase of shares in associates and jointly controlled entities	(25)	(46)	(48)
Purchase of intangible assets	(19)	(27)	(30)
Purchase of premises and equipment	(61)	(39)	(51)
<b>Net cash flows (used in) provided by investing activities</b>	<b>(69)</b>	(108)	(127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bonds and notes	2,113	4,815	9,263
Redemptions of bonds and notes	(4,618)	(2,928)	(6,433)
Proceeds from loan capital	-	835	835
Redemptions of loan capital	-	-	(100)
Increase (decrease) in due to parent company	-	510	510
Issue of RPS	1,011	-	-
Dividends paid	(1,000)	(1,169)	(1,169)
<b>Net cash flows provided by financing activities</b>	<b>(2,494)</b>	2,063	2,906
Net cash flows used in operating activities	(1,764)	(4,237)	(2,120)
Net cash flows used in investing activities	(69)	(108)	(127)
Net cash flows (used in) provided by financing activities	(2,494)	2,063	2,906
Net (decrease) increase in cash and cash equivalents	(4,327)	(2,282)	659
Cash and cash equivalents at beginning of the period	7,790	7,131	7,131
<b>Cash and cash equivalents at end of the period<sup>1</sup></b>	<b>3,463</b>	4,849	7,790

1. 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.

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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 consolidated financial statements for the year ended 30 September 2008.

**(ii) Basis of measurement**

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

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

**(iii) Changes in accounting policies**

There have been no changes in accounting policies since the authorisation date of the previous Disclosure Statement on 26 May 2009.

**(iv) Presentation currency and rounding**

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

**(v) 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 (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.

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**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 26 May 2009.

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

**3. INCOME TAX EXPENSE**

	<b>Unaudited 9 months to 30/06/2009 \$m</b>	<b>Consolidated Unaudited 9 months to 30/06/2008 \$m</b>	<b>Audited Year to 30/09/2008 \$m</b>
Income tax expense	201	336	418
<b>Effective tax rate (%)</b>	<b>29.6%</b>	<b>28.7%</b>	<b>29.7%</b>

**4. LIQUID ASSETS**

Cash and balances with central banks	1,617	1,804	3,950
Securities purchased under agreement to resell	-	125	-
Money at call	402	1,178	807
Bills receivable and remittances in transit	57	118	82
<b>Total liquid assets</b>	<b>2,076</b>	<b>3,225</b>	<b>4,839</b>

**Included within liquid assets is the following balance:**

Overnight balances with central banks	1,445	1,622	3,779
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**5. DUE FROM OTHER FINANCIAL INSTITUTIONS**

Able to be withdrawn without prior notice	79	1,115	437
Securities purchased under agreement to resell	340	220	304
Securities purchased under agreement to resell with central banks	41	-	-
Security settlements	-	-	1,328
Certificates of deposit	4,041	2,596	2,447
Reserve Bank bills	744	-	-
Term loans and advances	215	534	516
<b>Total due from other financial institutions</b>	<b>5,460</b>	<b>4,465</b>	<b>5,032</b>

**Included within due from other financial institutions  
is the following related party balance:**

Subsidiary of the Ultimate Parent Bank	-	-	1,328
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**6. TRADING SECURITIES**

Government, Local Body stock and bonds	665	124	252
Certificates of deposit	458	655	926
Promissory notes	69	160	39
Other bank bonds	1,631	1,280	1,331
Other	127	87	76
<b>Total trading securities</b>	<b>2,950</b>	<b>2,306</b>	<b>2,624</b>

**Included within trading securities is the following balance:**

Assets encumbered through repurchase agreements	79	321	97
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**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. AVAILABLE-FOR-SALE ASSETS**

	<b>Unaudited</b>	<b>Consolidated</b>	
	<b>30/06/2009</b>	Unaudited	Audited
	<b>\$m</b>	30/06/2008	30/09/2008
		\$m	\$m
Government, Local Body stock and bonds	<b>634</b>	3	3
Other debt securities	<b>59</b>	28	41
Equity securities	<b>74</b>	74	65
Total available-for-sale assets	<b>767</b>	105	109

**8. NET LOANS AND ADVANCES**

Overdrafts	<b>2,018</b>	2,087	2,140
Credit card outstandings	<b>1,410</b>	1,414	1,434
Term loans - housing	<b>53,535</b>	53,197	53,350
Term loans - non-housing	<b>40,348</b>	38,724	40,583
Finance lease receivables	<b>699</b>	781	777
Gross loans and advances	<b>98,010</b>	96,203	98,284
Provision for credit impairment (Note 10)	<b>(1,038)</b>	(563)	(666)
Unearned finance income	<b>(279)</b>	(343)	(346)
Fair value hedge adjustment	<b>954</b>	(60)	353
Deferred fee revenue and expenses	<b>(53)</b>	(56)	(55)
Capitalised brokerage/ mortgage origination fees	<b>87</b>	115	109
Total net loans and advances	<b>97,681</b>	95,296	97,679

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

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

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

**Individually impaired assets**

	Consolidated			Total \$m
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	
<b>Unaudited 30/06/2009</b>				
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	1	-	-	1
<b>Total impaired assets</b>	<b>286</b>	<b>64</b>	<b>523</b>	<b>873</b>
<b>Unaudited 30/06/2008</b>				
Balance at beginning of the period	7	20	88	115
Transfers from productive	61	98	100	259
Transfers to productive	(1)	-	(9)	(10)
Assets realised or loans repaid	(7)	(4)	(59)	(70)
Write offs	(1)	(77)	(3)	(81)
Individually Impaired Asset balance at end of the period	59	37	117	213
Restructured items	-	-	-	-
<b>Total impaired assets</b>	<b>59</b>	<b>37</b>	<b>117</b>	<b>213</b>
<b>Audited 30/09/2008</b>				
Balance at beginning of the period	7	20	88	115
Transfers from productive	103	122	228	453
Transfers to productive	(2)	-	(8)	(10)
Assets realised or loans repaid	(18)	(14)	(86)	(118)
Write offs	(7)	(98)	(8)	(113)
Individually Impaired Asset balance at end of the period	83	30	214	327
Restructured items	-	-	-	-
<b>Total impaired assets</b>	<b>83</b>	<b>30</b>	<b>214</b>	<b>327</b>

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

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

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

	Retail mortgages \$m	Consolidated Other retail exposures \$m	Corporate exposures \$m	Total \$m
<b>Unaudited 30/06/2009</b>				
<b>Balance at end of period</b>				
Past due assets (90 days past due assets) <sup>1</sup>	375	73	84	532
Other assets under administration	-	-	36	36
Undrawn facilities with impaired customers	-	-	32	32
Interest not recognised on impaired assets	18	5	17	40
<b>Unaudited 30/06/2008</b>				
<b>Balance at end of period</b>				
Past due assets (90 days past due assets) <sup>1</sup>	169	46	39	254
Other assets under administration	-	-	1	1
Undrawn facilities with impaired customers	-	-	8	8
Interest not recognised on impaired assets	-	2	4	6
<b>Audited 30/09/2008</b>				
<b>Balance at end of period</b>				
Past due assets (90 days past due assets) <sup>1</sup>	244	54	11	309
Other assets under administration	-	-	1	1
Undrawn facilities with impaired customers	-	-	6	6
Interest not recognised on impaired assets	6	2	10	18

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

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



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

**10. PROVISION FOR CREDIT IMPAIRMENT**

	Retail mortgages \$m	Consolidated Other retail exposures \$m	Consolidated Corporate exposures \$m	Total \$m
<b>Unaudited 30/06/2009</b>				
<b>Collective provision</b>				
Balance at beginning of the period	81	164	289	534
Charge to income statement	22	(14)	92	100
Balance at end of the period	<b>103</b>	<b>150</b>	<b>381</b>	<b>634</b>
<b>Individual provision (individually impaired assets)</b>				
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 <sup>1</sup>	-	-	(5)	(5)
Balance at end of the period	<b>113</b>	<b>31</b>	<b>260</b>	<b>404</b>
Total provision for credit impairment	<b>216</b>	<b>181</b>	<b>641</b>	<b>1,038</b>
<b>Unaudited 30/06/2008</b>				
<b>Collective provision</b>				
Balance at beginning of the period	58	130	234	422
Charge to income statement	5	16	40	61
Other	-	-	3	3
Balance at end of the period	<b>63</b>	<b>146</b>	<b>277</b>	<b>486</b>
<b>Individual provision (individually impaired assets)</b>				
Balance at beginning of the period	4	13	27	44
Charge to income statement	12	76	18	106
Recoveries of amounts previously written off	-	12	1	13
Bad debts written off	(1)	(77)	(3)	(81)
Discount unwind <sup>1</sup>	-	-	(5)	(5)
Balance at end of the period	<b>15</b>	<b>24</b>	<b>38</b>	<b>77</b>
Total provision for credit impairment	<b>78</b>	<b>170</b>	<b>315</b>	<b>563</b>
<b>Audited 30/09/2008</b>				
<b>Collective provision</b>				
Balance at beginning of the year	58	130	234	422
Charge to income statement	23	34	55	112
Balance at end of the year	<b>81</b>	<b>164</b>	<b>289</b>	<b>534</b>
<b>Individual provision (individually impaired assets)</b>				
Balance at beginning of the year	4	13	27	44
Charge to income statement	40	93	57	190
Recoveries of amounts previously written off	-	15	2	17
Bad debts written off	(7)	(98)	(8)	(113)
Discount unwind <sup>1</sup>	-	-	(6)	(6)
Balance at end of the year	<b>37</b>	<b>23</b>	<b>72</b>	<b>132</b>
Total provision for credit impairment	<b>118</b>	<b>187</b>	<b>361</b>	<b>666</b>

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

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

**10. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)**

Provision Movement Analysis	Consolidated			Total \$m
	Retail mortgages \$m	Other retail exposures \$m	Corporate exposures \$m	
<b>Unaudited 30/06/2009</b>				
New and increased provisions	104	131	221	456
Provision releases	(3)	(2)	(5)	(10)
	<b>101</b>	<b>129</b>	<b>216</b>	<b>446</b>
Recoveries of amounts previously written off	(1)	(13)	-	(14)
	<b>100</b>	<b>116</b>	<b>216</b>	<b>432</b>
Individual provision charge	22	(14)	92	100
Collective provision charge				
Charge to income statement	<b>122</b>	<b>102</b>	<b>308</b>	<b>532</b>
<b>Unaudited 30/06/2008</b>				
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)
	12	76	18	106
Individual provision charge	5	16	40	61
Collective provision charge				
Charge to income statement	17	92	58	167
<b>Audited 30/09/2008</b>				
New and increased provisions	40	108	75	223
Provision releases	-	-	(16)	(16)
	40	108	59	207
Recoveries of amounts previously written off	-	(15)	(2)	(17)
	40	93	57	190
Individual provision charge	23	34	55	112
Collective provision charge				
Charge to income statement	63	127	112	302

**11. DUE TO OTHER FINANCIAL INSTITUTIONS**

	Unaudited	Consolidated	Audited
	30/06/2009 \$m	Unaudited 30/06/2008 \$m	30/09/2008 \$m
Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	7,051	672	1,001
Securities sold under agreements to repurchase from other financial institutions	79	321	97
Securities sold under agreements to repurchase from central banks <sup>1</sup>	1,806	-	-
Other financial institutions	717	1,626	2,213
Total due to other financial institutions	<b>9,653</b>	<b>2,619</b>	<b>3,311</b>

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

Balances owing to the Ultimate Parent Bank by			
ANZ National (Int'l) Limited guaranteed by the Bank	2,220	672	1,001
Australia and New Zealand Banking Group Limited - NZ Branch	4,600	-	-

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

These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore the Consolidated Group's financial statements do not change as a result of establishing these facilities. The net effect on the Consolidated Group is to reflect additional cash or liquid assets and a liability being Securities sold under agreements to repurchase from central banks (refer Note 25 for further details).

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

**12. DEPOSITS AND OTHER BORROWINGS**

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

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

**Included within deposits and other borrowings are the following balances:**

Commercial paper issued by ANZ National (Int'l) Limited guaranteed by the Bank at amortised cost	5,637	12,345	12,670
<b>UDC Finance Limited secured debentures</b>			
Carrying value of total tangible assets	1,921	2,107	2,032

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

**13. BONDS AND NOTES**

	<b>Unaudited</b>	<b>Consolidated</b>	
	<b>30/06/2009</b>	Unaudited	Audited
	<b>\$m</b>	30/06/2008	30/09/2008
		\$m	\$m
Total bonds and notes	<b>19,769</b>	19,425	22,382
<b>Included within bonds and notes are the following related party balances:</b>			
Subsidiaries of the Australia and New Zealand Banking Group Limited	2,508	1,174	2,538
Bonds and notes issued by ANZ National (Int'l) Limited guaranteed by the Bank	16,782	17,495	19,572

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

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

**14. LOAN CAPITAL**

	<b>Unaudited</b>	<b>Consolidated</b>	
	<b>30/06/2009</b>	Unaudited	Audited
	<b>\$m</b>	30/06/2008	30/09/2008
		\$m	\$m
AUD 207,450,000 term subordinated floating rate loan	<b>258</b>	261	248
AUD 265,740,000 perpetual subordinated floating rate loan	<b>330</b>	334	317
AUD 186,100,000 term subordinated floating rate loan	<b>231</b>	234	222
AUD 43,767,507 term subordinated floating rate loan	<b>54</b>	55	52
AUD 169,520,000 term subordinated floating rate loan	<b>210</b>	213	202
Term subordinated fixed rate bonds	<b>950</b>	1,050	950
Perpetual subordinated bond	<b>835</b>	835	835
	<b>2,868</b>	2,982	2,826
Total loan capital issued	<b>(1)</b>	(3)	(6)
Less loan capital instruments held by the Banking Group	<b>2,867</b>	2,979	2,820
Total loan capital			

**Included within loan capital is the following related party balance:**

Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	<b>1,083</b>	1,097	1,041
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**AUD 207,450,000 loan**

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

**AUD 265,740,000 loan**

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

**AUD 186,100,000 loan**

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

**AUD 43,767,507 loan**

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

**AUD 169,520,000 loan**

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

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

**14. LOAN CAPITAL (CONTINUED)**

**NZD subordinated bonds**

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

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

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

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

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

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

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

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

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

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

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

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

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

**15. TERM FUNDING**

	<b>Unaudited</b> <b>30/06/2009</b> <b>\$m</b>	<b>Consolidated</b> Unaudited 30/06/2008 \$m	Audited 30/09/2008 \$m
ANZ Funds Pty Limited	<b>1,766</b>	1,766	1,766

**ANZ Funds Pty Limited (Related Company)**

This New Zealand dollar loan was made on 1 December 2003 and is repayable upon demand being made by the ANZ Funds Pty Limited, where 12 months prior written notice is given, unless a shorter notice period is agreed upon. Interest is payable quarterly in arrears based on BKBM + 0.20% p.a., with interest payments due 1 March, 1 June, 1 September and 1 December. As part of the annual review of terms and conditions of the loan the margin was increased to + 0.32% p.a., effective from 1 December 2007.

**16. ORDINARY SHARE CAPITAL & HEAD OFFICE ACCOUNT**

	<b>Unaudited</b> <b>30/06/2009</b> <b>\$m</b>	<b>Consolidated</b> Unaudited 30/06/2008 \$m	Audited 30/09/2008 \$m
Ordinary share capital at beginning and end of the period	<b>1,453</b>	1,453	1,453
Redeemable preference shares at beginning of the period	<b>3,960</b>	3,450	3,450
Redeemable preference shares issued during the period	<b>1,000</b>	510	510
	<b>4,960</b>	3,960	3,960
Paid in share capital at end of period	<b>6,413</b>	5,413	5,413
Head Office Account	<b>11</b>	-	-
Total Capital & Head Office Account at end of period	<b>6,424</b>	5,413	5,413

**Voting rights**

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

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

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

**17. RESERVES AND RETAINED EARNINGS**

	<b>Consolidated</b>		
	<b>Unaudited</b>	Unaudited	Audited
	<b>30/06/2009</b>	30/06/2008	30/09/2008
	<b>\$m</b>	\$m	\$m
<b>Available-for-sale revaluation reserve</b>			
Balance at beginning of the period	23	(1)	(1)
Valuation gain recognised after tax	4	36	24
Balance at end of the period	<b>27</b>	35	23
<b>Cash flow hedging reserve</b>			
Balance at beginning of the period	24	84	84
Valuation loss recognised after tax	(4)	(19)	(34)
Transferred to income statement	(8)	(17)	(26)
Balance at end of the period	<b>12</b>	48	24
Total reserves	<b>39</b>	83	47
<b>Retained earnings</b>			
Balance at beginning of the period	<b>1,667</b>	1,869	1,869
Profit after income tax	<b>478</b>	833	990
Total available for appropriation	<b>2,145</b>	2,702	2,859
Actuarial loss on defined benefit schemes after tax	(27)	(8)	(23)
Interim Ordinary dividend paid	<b>(1,000)</b>	(1,169)	(1,169)
Balance at end of the period	<b>1,118</b>	1,525	1,667

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

**18. CAPITAL ADEQUACY**

**OVERSEAS BANKING GROUP CAPITAL ADEQUACY RATIO**

	Overseas Banking Group		Overseas Bank (Extended Licensed Entity)		
	Unaudited 30/06/2009 Basel II	Unaudited 30/09/2008 Basel II	Unaudited 31/03/2009 Basel II	Unaudited 31/03/2008 Basel II	Unaudited 30/09/2008 Basel II
Tier One Capital	9.7%	7.7%	9.0%	8.1%	8.4%
Total Capital	12.4%	11.1%	11.5%	11.7%	11.6%

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

The Overseas Banking Group is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB methodology. The Overseas Banking Group exceeded the minimum capital adequacy requirements as specified by APRA as at 30 June 2009. Comparatives for 30 June 2008 have not been provided as these are not publicly available.

Further details of the Overseas Banking Group's capital adequacy requirements and credit risk management processes can be found in its 2008 Annual Report. This report can be accessed at the following website address: [www.anz.com](http://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 2009 (unaudited) were:**

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	\$m		\$m
Cash and short term claims on Government	2,552	0%	-
Long term claims on Government	498	10%	50
Claims on banks	7,576	20%	1,515
Claims on public sector entities	630	20%	126
Residential Mortgages	54,369	50%	27,185
Other	45,269	100%	45,269
Non risk weighted assets	15,336	n/a	-
	<b>126,230</b>		<b>74,145</b>

  

Off-balance sheet exposures	Principal amount	Credit conversion factor	Credit equivalent amount	Average counterparty risk weight	Risk weighted exposure
	\$m		\$m		\$m
Direct credit substitutes	2,239	100%	2,239	36%	796
Commitments with certain drawdown	792	100%	792	63%	499
Transaction related contingent items	1,033	50%	517	70%	362
Short term, self liquidating trade related contingencies	77	20%	15	65%	10
Other commitments to provide financial services which have an original maturity of 1 year or more	5,762	50%	2,881	100%	2,881
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	17,419	0%	-	n/a	-
Market related contracts <sup>1</sup>					
- Foreign exchange	110,035		5,706	22%	1,263
- Interest rate	471,420		10,522	23%	2,459
- Other	44		10	60%	6
	<b>608,821</b>		<b>22,682</b>		<b>8,276</b>

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



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

**18. CAPITAL ADEQUACY (CONTINUED)**

Total Risk Weighted Exposures of the NZ Branch as at 30 June 2009 (unaudited) were:

On-balance sheet exposures	Principal amount \$m	Risk weight	Risk weighted exposure \$m
Cash and short term claims on Government	-	0%	-
Long term claims on Government	-	10%	-
Claims on banks	-	20%	-
Claims on public sector entities	-	20%	-
Residential Mortgages	4,518	50%	2,259
Other	190	100%	190
Non risk weighted assets	26	n/a	-
	<b>4,734</b>		<b>2,449</b>

Off-balance sheet exposures	Principal amount \$m	Credit conversion factor	Credit equivalent amount \$m	Average counterparty 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	-	50%	-	n/a	-
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 <sup>1</sup>					
- Foreign exchange	12,153		68	20%	14
- Interest rate	8,315		55	20%	11
- Other	-		-	0%	-
	<b>20,468</b>		<b>123</b>		<b>25</b>

**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 2009 (unaudited):

LVR range	Exposure Amount \$m
0% - 80%	40,247
80% - 90%	7,151
Over 90%	5,973
	<b>53,371</b>

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

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

**19. CONCENTRATIONS OF CREDIT RISK**

The NZ Banking Group has no credit exposures, on the basis of limits, to individual counterparties or groups of closely related counterparties (whether bank or non-bank exposures) which equal or exceed 10% of the Overseas Banking Group's equity as at 31 March 2009, 31 March 2008 or 30 September 2008, or in respect of peak end-of-day aggregate credit exposures for the quarter ended 31 March 2009. The peak end-of-day exposures have been calculated using the Overseas Banking Group equity as at 31 March 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.

**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 (Standardised Approach)' (BS2A) dated November 2007.

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 2009.

	NZ Banking Group					
	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Overseas Banking Group's Equity	
	As at \$m	Peak \$m	As at \$m	Peak \$m	As at %	Peak %
<b>Unaudited 30/06/2009</b>						
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%
<b>Unaudited 30/06/2008</b>						
Interest rate risk	3,633	4,078	291	326	1.1%	1.2%
Foreign currency risk	16	151	1	12	0.0%	0.0%
Equity risk	74	76	6	6	0.0%	0.0%
<b>Audited 30/09/2008</b>						
Interest rate risk	3,736	3,984	299	319	0.9%	1.0%
Foreign currency risk	35	160	3	13	0.0%	0.0%
Equity risk	64	75	5	6	0.0%	0.0%

**21. INTEREST EARNING ASSETS AND DISCOUNT BEARING LIABILITIES**

	Consolidated		
	Unaudited 30/06/2009 \$m	Unaudited 30/06/2008 \$m	Audited 30/09/2008 \$m
Interest earning and discount bearing assets	108,799	105,467	109,017
Interest and discount bearing liabilities	100,576	98,152	103,583

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

**22. SEGMENTAL ANALYSIS**

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

A summarised description of each business segment is shown below:

**Retail**

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

**Commercial**

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

**Institutional**

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

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

**Other**

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

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

**BUSINESS SEGMENT ANALYSIS - CONTINUING OPERATIONS<sup>1,2</sup>**

	Retail Banking <sup>3</sup> \$m	Commercial Banking \$m	Consolidated Institutional \$m	Other \$m	Total \$m
<b>Unaudited 9 months to 30/06/2009</b>					
Net operating income <sup>3</sup>	1,040	612	611	42	2,305
Profit before income tax <sup>3</sup>	85	201	411	(18)	679
<b>Unaudited 9 months to 30/06/2008</b>					
Net operating income	1,328	591	402	50	2,371
Profit before income tax	507	344	270	48	1,169
<b>Audited year to 30/09/2008</b>					
Net operating income	1,760	795	539	61	3,155
Profit before income tax	612	418	364	14	1,408

1. Results are equity standardised

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

3. Includes \$211 million charge in relation to ING New Zealand Funds. Refer to Note 27 for further details.

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

**23. NOTES TO THE CASH FLOW STATEMENT**

	<b>Unaudited</b>	<b>Consolidated</b>	
	<b>9 months to</b>	Unaudited	Audited
	<b>30/06/2009</b>	9 months to	Year to
	<b>\$m</b>	30/06/2008	30/09/2008
		<b>\$m</b>	<b>\$m</b>
<b>Reconciliation of profit after income tax to net cash flows used in operating activities</b>			
Profit after income tax	478	833	990
<b>Non-cash items:</b>			
Depreciation and amortisation	35	33	46
Provision for credit impairment	532	167	302
Deferred fee revenue and expenses	4	(3)	(3)
Share-based payments expense	14	11	13
Amortisation of capitalised brokerage/ mortgage origination fees	40	42	57
<b>Deferrals or accruals of past or future operating cash receipts or payments:</b>			
Increase in operating assets and liabilities	(2,851)	(5,355)	(3,699)
Decrease in interest receivable	115	14	2
(Decrease) increase in interest payable	(268)	101	206
Increase in accrued income	(2)	(5)	(8)
Increase in accrued expenses	43	52	46
Increase (decrease) in provisions	180	(8)	25
Amortisation of premiums and discounts	77	40	56
Increase in income tax assets	(134)	(58)	(43)
<b>Items classified as investing/financing:</b>			
Share of profit of equity accounted associates and jointly controlled entities	(10)	(102)	(111)
(Gain) Loss on disposal of premises and equipment	(17)	1	1
<b>Net cash flows used in operating activities</b>	<b>(1,764)</b>	<b>(4,237)</b>	<b>(2,120)</b>
<b>Reconciliation of core liquidity portfolio to cash and cash equivalents</b>			
The NZ Banking Group's core liquidity portfolio held for managing liquidity risk comprises:			
	<b>Unaudited</b>	<b>Consolidated</b>	
	<b>30/06/2009</b>	Unaudited	Audited
	<b>\$m</b>	30/06/2008	30/09/2008
		<b>\$m</b>	<b>\$m</b>
Cash and balances with central banks	1,445	1,622	3,779
Securities purchased under agreement to resell	275	67	134
Certificates of deposit	4,459	3,222	3,343
Government, Local Body stock and bonds	1,225	15	180
Available-for-sale assets	622	-	-
Other bank bonds	1,625	1,313	1,300
<b>Total liquidity portfolio<sup>1</sup></b>	<b>9,651</b>	<b>6,239</b>	<b>8,736</b>
Reconciliation to cash and cash equivalents:			
<i>Other cash items not included within liquidity portfolio:</i>			
Liquid assets not with central banks	632	1,605	1,060
Due from other financial institutions - less than 90 days	324	1,290	1,948
<i>Non-cash items included within liquidity portfolio</i>			
Trading securities	(2,525)	(1,955)	(2,376)
Available-for-sale assets	(622)	-	-
Due from other financial institutions - greater than 90 days	(3,997)	(2,330)	(1,578)
<b>Total cash and cash equivalents</b>	<b>3,463</b>	<b>4,849</b>	<b>7,790</b>
<b>Reconciliation of cash and cash equivalents to the balance sheets</b>			
Liquid assets	2,077	3,226	4,839
Due from other financial institutions - less than 90 days	1,386	1,623	2,951
<b>Total cash and cash equivalents</b>	<b>3,463</b>	<b>4,849</b>	<b>7,790</b>

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.

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

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**24. ULTIMATE PARENT BANK**

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

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

**Securitisation**

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

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

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

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

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

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

**Funds management**

Certain subsidiaries of 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 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 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.

**Marketing and distribution of insurance products**

The NZ 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.

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

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

**Insurance business**

The NZ Banking Group does not conduct any insurance business directly, although the NZ 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 NZ Banking Group to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

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

**Risk management**

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

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

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

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

- the policies do not represent deposits or other liabilities of the NZ Banking Group or its subsidiaries;
- the policies are subject to investment risk, including possible loss of income and principal; and
- the NZ Banking Group 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 NZ Banking Group;
- that the securities are subject to investment risk including possible loss of income and principal invested; and
- that the NZ Banking Group 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.

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

**26. COMMITMENTS**

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

**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 NZ 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.

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

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

	<b>Unaudited</b> <b>30/06/2009</b> <b>\$m</b>	<b>Consolidated</b> <b>Face or contract value</b> Unaudited 30/06/2008 \$m	Audited 30/09/2008 \$m
<b>Credit related commitments</b>			
Commitments with certain drawdown due within one year	792	803	659
Commitments to provide financial services	23,181	24,124	23,150
Total credit related commitments	<b>23,973</b>	24,927	23,809
<b>Contingent liabilities</b>			
Financial guarantees	1,799	1,996	2,017
Standby letters of credit	440	487	401
Transaction related contingent items	1,033	777	1,090
Trade related contingent liabilities	77	348	118
Total contingent liabilities	<b>3,349</b>	3,608	3,626
<b>Foreign exchange, interest rate and commodity contracts</b>			
Exchange rate contracts	110,035	100,704	108,372
Interest rate contracts	471,420	553,398	539,111
Commodity contracts	44	-	36
Total foreign exchange, interest rate and commodity contracts	<b>581,499</b>	654,102	647,519

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

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

**Contingent tax liability**

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

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

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

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

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

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

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

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

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

**Commerce Commission**

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

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

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

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



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

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

**Commerce Commission (continued)**

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

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

**ING New Zealand Funds**

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

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

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

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

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

**Other contingent liabilities**

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. As 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 2009, there were no other contingent assets or liabilities required to be disclosed (30/06/2008 \$nil; 30/09/2008 \$nil).

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**28. SUBSEQUENT EVENTS**

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

## AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – NEW ZEALAND BRANCH

### CONDITIONS OF REGISTRATION

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#### Conditions of Registration, applicable as at 31 August 2009.

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

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

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

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

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

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

**Credit Ratings applicable as at 31 August 2009**

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

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

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

During the two-year period ended 30 June 2009, the Moody's Investors Service credit rating and qualification remained at Aa1. On 2 March 2009 the Outlook changed from Stable to Negative.

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

	Standard & Poor's	Moody's Investors Service	Fitch Ratings
<b>The following grades display investment grade characteristics:</b>			
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
<b>The following grades have predominantly speculative characteristics:</b>			
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**

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**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 2009 :

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

**This General Short Form Disclosure Statement is dated this 31<sup>ST</sup> August 2009, and has been signed by the Chairman of the Overseas Bank as agent for all Directors and by the Chief Executive Officer, NZ Branch.**



**C B Goode  
Chairman**



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

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

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



## **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 32 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 2009. 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 2009 and its financial performance and cash flows for the nine months ended on that date.

They are also responsible for the preparation of supplementary information which gives a fair view, in accordance with the Order, of the matters to which it relates; and complies with Schedules 2 to 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 18, 19, 20, 21 and 25) do not present a true and fair view of the financial position of the NZ Banking Group as at 30 June 2009 and its financial performance and cash flows for the nine months ended on that date;
- b. the supplementary information disclosed in Notes 19, 20, 21 and 25 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 18 of the interim financial statements, as required by Schedule 4 of the Order, is not in all material respects derived in accordance with Capital Adequacy Framework (Basel 1 Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A), and disclosed in accordance with Schedule 4 of the Order.

Our review was completed on 31 August 2009 and our review opinion is expressed as at that date.

Wellington