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

FOR THE SIX MONTHS ENDED 31 MARCH 2010 | NUMBER 6 ISSUED MAY 2010

GENERAL DISCLOSURE STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2010

CONTENTS

This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Full and Half Year - 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 Order shall have the meaning given in or prescribed by that Order.

GENERAL MATTERS

The NZ Branch was registered as a bank on 5 January 2009. Its full name is Australia and New Zealand Banking Group Limited - New Zealand Branch and its address for service is Level 6, 1 Victoria Street, Wellington, New Zealand.

The full name of the Overseas Bank is Australia and New Zealand Banking Group Limited and its address for service is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, 3008, Victoria, Australia.

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

NATURE OF BUSINESS

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

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 31 March 2010 amounted to $nil. (31/03/2009 $nil; 30/09/2009 $nil).

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 six months ended 31 March 2010, 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. 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 and is generally subject to review at that time.

Wholesale Funding Guarantee

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

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

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

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

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

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

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

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

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

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

Wholesale Funding Guarantee (Continued)

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

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

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

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

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

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

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

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

New Zealand Guarantee Arrangements

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

PENDING PROCEEDINGS OR ARBITRATION

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

Further details on pending proceedings or arbitration are set out in Note 38 Contingent Liabilities and Credit Related Commitments.

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 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 six months ended 31 March 2010 can be obtained immediately where request is made within normal banking hours at the NZ Branch head office, Level 6, 1 Victoria Street, Wellington. It is also available at no charge:

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

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

FINANCIAL STATEMENTS OF THE OVERSEAS BANK AND OVERSEAS BANKING GROUP

Copies of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where the request is made at the NZ Branch's head office, Level 6, 1 Victoria Street, 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.

DIRECTORATE

Since the authorisation date of the previous General Short Form Disclosure Statement on 24 February 2010, Charles Barrington Goode ceased to be a Director of the Overseas Banking Group (effective 28 February 2010). There have been no other changes to the Directors of the Overseas Banking Group since 24 February 2010.

SUMMARY OF FINANCIAL STATEMENTS

	NZ Banking Group					
	Unaudited 6 months to 31/03/2010 $m	Audited Year to 30/09/2009 $m	Audited Year to 30/09/2008 $m	Audited Year to[1] 30/09/2007 $m	Audited Year to[1] 30/09/2006 $m	Audited Year to[1] 30/09/2005 $m
Continuing operations						
Interest income	**3,072**	7,479	9,858	8,296	7,195	6,023
Interest expense	**1,925**	5,181	7,829	6,239	5,246	4,325
Net interest income	**1,147**	2,298	2,029	2,057	1,949	1,698
Other operating income	**421**	680	1,126	864	801	794
Operating income	**1,568**	2,978	3,155	2,921	2,750	2,492
Operating expenses	**748**	1,479	1,445	1,331	1,323	1,312
Profit before provision for credit impairment and income tax	**820**	1,499	1,710	1,590	1,427	1,180
Collective provision charge / (credit)	**63**	270	112	20	(10)	121
Individual provision charge	**262**	613	190	54	28	-
Provision for credit impairment	**325**	883	302	74	18	121
Profit before income tax	**495**	616	1,408	1,516	1,409	1,059
Income tax expense	**109**	422	418	551	463	318
Profit after income tax from continuing operations	**386**	194	990	965	946	741
Discontinued operations						
Profit from discontinued operations (net of income tax)	-	-	-	76	5	14
Profit after income tax	**386**	194	990	1,041	951	755
Ordinary dividends paid	**(393)**	(1,000)	(1,169)	(600)	(780)	(200)

	NZ Banking Group					
	Unaudited As at 31/03/2010 $m	Audited As at 30/09/2009 $m	Audited As at 30/09/2008 $m	Audited As at[1] 30/09/2007 $m	Audited As at[1] 30/09/2006 $m	Audited As at[1] 30/09/2005 $m
Total impaired assets	**1,736**	1,188	327	115	151	213
Total assets	**123,504**	126,314	123,078	107,606	95,929	85,491
Total liabilities	**116,119**	118,999	115,951	100,751	89,543	79,390
Non-controlling interests	**1**	-	-	-	-	-
Equity	**7,385**	7,315	7,127	6,855	6,386	6,101

The amounts included in this summary have been taken from the audited financial statements of the NZ Banking Group except for the amounts for the six months ended 31 March 2010, which have been taken from unaudited financial statements.

1. Truck Leasing Limited has been classified as a discontinued operation for the comparative years ending 30 September 2007, 30 September 2006 and 30 September 2005.

INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010

		NZ Banking Group			NZ Branch		
	Note	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Interest income	**4**	**3,072**	4,233	7,479	**274**	28	241
Interest expense	**5**	**1,925**	3,047	5,181	**204**	23	171
Net interest income		**1,147**	1,186	2,298	**70**	5	70
Net trading gains	**4**	**16**	119	187	**-**	-	-
Net funds management and insurance income	**4**	**91**	47	97	**-**	-	-
Other operating income	**4**	**278**	265	383	**48**	(8)	(10)
Share of profit of equity accounted associates and jointly controlled entities	**15**	**36**	8	13	**-**	-	-
Operating income		**1,568**	1,625	2,978	**118**	(3)	60
Operating expenses	**5**	**748**	739	1,479	**13**	1	11
Profit before provision for credit impairment and income tax		**820**	886	1,499	**105**	(4)	49
Provision for credit impairment	**14**	**325**	288	883	**11**	3	9
Profit before income tax		**495**	598	616	**94**	(7)	40
Income tax expense	**6**	**109**	176	422	**28**	(2)	12
Profit after income tax		**386**	422	194	**66**	(5)	28

The notes on pages 13 to 120 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2010

		NZ Banking Group			NZ Branch		
		Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
		6 months to	6 months to	Year to	**6 months to**	6 months to	Year to
	Note	**31/03/2010**	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
		$m	$m	$m	**$m**	$m	$m
Profit / (loss) after income tax		**386**	422	194	**66**	(5)	28
Available-for-sale revaluation reserve:							
- Valuation gain before tax		**59**	4	2	**-**	-	-
Cash flow hedging reserve:							
- Valuation gain / (loss) before tax	**10**	**2**	(9)	(1)	**-**	-	-
- Transferred to income statement	**10**	**21**	(19)	(3)	**-**	-	-
Actuarial gain / (loss) on defined benefit schemes		**14**	(39)	(25)	**-**	-	-
Income tax (expense) / credit on items recognised directly in equity		**(20)**	20	10	**-**	-	-
Net credit / (expense) recognised directly in equity		**76**	(43)	(17)	**-**	-	-
Total comprehensive income / (expense) for the period		**462**	379	177	**66**	(5)	28

The notes on pages 13 to 120 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY AND HEAD OFFICE ACCOUNT
FOR THE SIX MONTHS ENDED 31 MARCH 2010

		NZ Banking Group			NZ Branch		
	Note	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Share capital & Head Office account							
Balance at beginning of the period		**6,424**	5,413	5,413	**11**	-	-
Movement in Head Office account		**-**	11	11	**-**	11	11
Redeemable preference shares issued in the period		**-**	1,000	1,000	**-**	-	-
Balance at end of the period	27	**6,424**	6,424	6,424	**11**	11	11
Available-for-sale revaluation reserve							
Balance at beginning of the period		**25**	23	23	**-**	-	-
Valuation gain recognised after tax		**51**	3	2	**-**	-	-
Balance at end of the period		**76**	26	25	**-**	-	-
Cash flow hedging reserve							
Balance at beginning of the period		**23**	24	24	**-**	-	-
Valuation gain / (loss) recognised after tax		**1**	(6)	-	**-**	-	-
Transferred to income statement		**14**	(12)	(1)	**-**	-	-
Balance at end of the period	10	**38**	6	23	**-**	-	-
Total reserves		**114**	32	48	**-**	-	-
Retained earnings							
Balance at beginning of the period		**843**	1,667	1,667	**28**	-	-
Profit after income tax attributable to parent		**386**	422	194	**66**	(5)	28
Total available for appropriation		**1,229**	2,089	1,861	**94**	(5)	28
Actuarial gain / (loss) on defined benefit schemes after tax		**10**	(28)	(18)	**-**	-	-
Dividends paid	27	**(393)**	(1,000)	(1,000)	**-**	-	-
Balance at end of the period		**846**	1,061	843	**94**	(5)	28
Non-controlling interests							
Balance at beginning of the period		**-**	-	-	**-**	-	-
Minority interests in acquired subsidiaries	42	**1**	-	-	**-**	-	-
Balance at end of the period		**1**	-	-	**-**	-	-
Total equity & Head Office account							
Balance at beginning of the period		**7,315**	7,127	7,127	**39**	-	-
Total comprehensive income for the period		**462**	379	177	**66**	(5)	28
Transactions with Head Office		**(393)**	11	11	**-**	11	11
Other transactions	42	**1**	-	-	**-**	-	-
Balance at end of the period		**7,385**	7,517	7,315	**105**	6	39

The notes on pages 13 to 120 form part of and should be read in conjunction with these financial statements.

BALANCE SHEETS
AS AT 31 MARCH 2010

		NZ Banking Group			NZ Branch		
	Note	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Assets							
Liquid assets	7	**2,520**	3,390	2,762	-	-	-
Due from other financial institutions	8	**2,101**	7,631	4,514	-	-	-
Trading securities	9	**6,366**	2,565	4,166	-	-	-
Derivative financial instruments	10	**9,087**	15,072	11,015	**364**	30	34
Available-for-sale assets	11	**1,850**	597	1,513	-	-	-
Net loans and advances	12	**95,689**	98,490	97,024	**10,029**	4,754	8,774
Due from related entities	25	-	-	-	**504**	204	341
Investments relating to insurance business		**38**	-	-	-	-	-
Insurance policy assets		**106**	-	-	-	-	-
Shares in controlled entities, associates and jointly controlled entities	15	**144**	396	464	-	-	-
Current tax assets		**135**	189	115	-	1	-
Other assets	16	**1,172**	878	1,141	-	25	-
Deferred tax assets	17	**431**	193	-	**6**	1	3
Premises and equipment	18	**305**	250	278	-	-	-
Goodwill and other intangible assets	19	**3,560**	3,321	3,322	-	-	-
Total assets		**123,504**	132,972	126,314	**10,903**	5,015	9,152
Liabilities							
Due to other financial institutions	20	**11,941**	8,911	12,514	**10,614**	4,751	8,801
Deposits and other borrowings	21	**70,636**	72,760	71,764	-	-	-
Derivative financial instruments	10	**9,109**	13,080	10,974	**75**	250	254
Payables and other liabilities	22	**1,681**	2,143	1,547	**63**	8	43
Provisions	23	**341**	340	283	-	-	-
Current tax liability		-	-	-	**46**	-	15
Deferred tax liability	17	-	-	15	-	-	-
Bonds and notes	24	**18,004**	23,620	17,540	-	-	-
Due to related entities	25	**1,766**	1,766	1,766	-	-	-
Loan capital	26	**2,641**	2,835	2,596	-	-	-
Total liabilities (excluding Head Office Account)		**116,119**	125,455	118,999	**10,798**	5,009	9,113
Net assets (excluding Head Office Account)		**7,385**	7,517	7,315	**105**	6	39
Represented by:							
Share capital & Head Office Account	27	**6,424**	6,424	6,424	**11**	11	11
Reserves		**114**	32	48	-	-	-
Retained earnings / (Accumulated losses)		**846**	1,061	843	**94**	(5)	28
Equity & Head Office Account		**7,384**	7,517	7,315	**105**	6	39
Non-controlling interests		**1**	-	-	-	-	-
Total equity & Head Office Account		**7,385**	7,517	7,315	**105**	6	39

The notes on pages 13 to 120 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Note	NZ Banking Group Unaudited 6 months to 31/03/2010 $m	NZ Banking Group Unaudited 6 months to 31/03/2009 $m	NZ Banking Group Audited Year to 30/09/2009 $m	NZ Branch Unaudited 6 months to 31/03/2010 $m	NZ Branch Unaudited 6 months to 31/03/2009 $m	NZ Branch Audited Year to 30/09/2009 $m
CASH FLOWS FROM OPERATING ACTIVITIES							
Interest received		**3,013**	4,152	7,368	**279**	3	241
Dividends received		-	-	3	-	-	-
Net cash from funds management & insurance		**61**	47	97	-	-	-
Fees and other income received		**421**	572	848	-	-	4
Interest paid		**(1,962)**	(3,094)	(5,137)	**(187)**	(16)	(130)
Operating expenses paid		**(744)**	(736)	(1,483)	**(13)**	-	(9)
Income taxes paid		**(567)**	(265)	(338)	-	-	-
Cash flows from operating profits before changes in operating assets and liabilities		**222**	676	1,358	**79**	(13)	106
Change in operating assets and liabilities:							
Change in due from other financial institutions - term		**1,258**	159	(246)	-	-	-
Change in trading securities		**(2,207)**	90	(1,505)	-	-	-
Change in derivative financial instruments		**1,432**	(204)	(3,494)	**6**	(36)	237
Change in available-for-sale assets		**(80)**	(485)	(1,388)	-	-	-
Change in insurance investment assets		**7**	-	-	-	-	-
Change in loans and advances		**748**	(383)	43	**(1,235)**	(4,974)	(9,144)
Change in due to related entities		-	-	-	**(163)**	(1)	(11)
Change in other assets		**(42)**	53	(165)	-	-	-
Change in due to other financial institutions		**(1,112)**	5,945	9,630	**1,313**	5,013	8,801
Change in customer deposits		**(1,205)**	1,923	672	-	-	-
Change in other borrowings		**(578)**	(5,625)	(4,637)	-	-	-
Change in payables and other liabilities		**193**	502	(167)	-	-	-
Net cash flows (used in) / provided by operating activities	**34**	**(1,364)**	2,651	101	-	(11)	(11)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of shares in associates and jointly controlled entities		**1**	-	-	-	-	-
Proceeds from sale of premises and equipment		**10**	34	33	-	-	-
Proceeds from sale of software		-	-	3	-	-	-
Purchase of shares in associates and jointly controlled entities		-	(25)	(92)	-	-	-
Purchase of shares in subsidiary entities		**(247)**	-	-	-	-	-
Purchase of intangible assets		**(24)**	(13)	(21)	-	-	-
Purchase of premises and equipment		**(55)**	(42)	(95)	-	-	-
Net cash flows used in investing activities		**(315)**	(46)	(172)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from bonds and notes		**2,791**	135	5,012	-	-	-
Redemptions of bonds and notes		**(2,285)**	(3,323)	(7,751)	-	-	-
Redemptions of loan capital		-	-	(225)	-	-	-
Issue of redeemable preference shares		-	1,000	1,000	-	-	-
Dividends paid		**(393)**	(1,000)	(1,000)	-	-	-
Proceeds from Head Office		-	11	11		11	11
Net cash flows provided by / (used in) financing activities		**113**	(3,177)	(2,953)	-	11	11
Net cash flows (used in) / provided by operating activities		**(1,364)**	2,651	101	-	(11)	(11)
Net cash flows used in investing activities		**(315)**	(46)	(172)	-	-	-
Net cash flows provided by (used in) financing activities		**113**	(3,177)	(2,953)	-	11	11
Net decrease in cash and cash equivalents		**(1,566)**	(572)	(3,024)	-	-	-
Cash and cash equivalents at beginning of the period		**4,766**	7,790	7,790	-	-	-
Cash and cash equivalents at end of the period	**34**	**3,200**	7,218	4,766	-	-	-

The notes on pages 13 to 120 form part of and should be read in conjunction with these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Registered Bank Disclosure Statement (Full and Half-Year - Overseas Incorporated Registered Banks) Order 2008 (the "Order"). The parent's financial statements are for the New Zealand operations of Australia and New Zealand Banking Group Limited as conducted through the NZ Branch (the "Registered Bank" or "NZ Branch") and the aggregated financial statements are for the New Zealand operations of Australia and New Zealand Banking Group Limited (the "NZ Banking Group"), which includes the NZ Branch and all New Zealand geographic operations, subsidiaries, associate companies and jointly controlled entities.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Principles. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied by the Branch and all consolidated entities and to all periods presented in the consolidated financial statements.

These financial statements were authorised for issue by the Overseas Banking Group's Board of Directors on 25 May 2010.

ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Discussion of the critical accounting treatments, which include complex or subjective decisions or assessments, are covered in Note 2. Such estimates may require review in future periods.

iii) 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 and loss; and
- defined benefit scheme asset or liability

iv) Changes in accounting policies and early adoption of new accounting statements

The accounting policies adopted by the NZ Banking Group are consistent with those adopted and disclosed in the prior period with the exception that all new accounting standards and interpretations applicable to annual reporting periods beginning on or after 1 October 2009 have been applied by the NZ Banking Group effective from the required date of application. The initial application of these standards and interpretations has not had a material impact on the financial results of the NZ Banking Group.

NZ IFRS 8 *Operating Segments* ("NZ IFRS 8"), NZ IAS 1 *Presentation of Financial Statements (revised)* ("NZ IAS 1"), NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ IFRS 3 *Business Combinations (revised)* have been applied by the NZ Banking Group for the six months ended 31 March 2010.

NZ IFRS 8 replaces NZ IAS 14 Segment Reporting and requires the use of a "management approach" to segment reporting. Segment information is therefore presented on the same basis as that used for internal reporting purposes. Goodwill associated with the acquisition of NBNZ Holdings Limited Group is allocated to the reportable segments in accordance with NZ IFRS 8.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

v) Rounding
The amounts contained in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

vi) Comparatives
Certain amounts in the comparative information have been reclassified to ensure consistency with the current period.

vii) Basis of aggregation
The basis of aggregation is an addition of the NZ Banking Group's individual financial statements of the entities in the NZ Banking Group. All transactions between entities within the NZ Banking Group have been eliminated.

Subsidiaries
The financial statements aggregate the financial statements of the Branch and all New Zealand subsidiaries where it is determined that there is capacity to control.

Where subsidiaries have been sold or acquired during the period, their operating results have been included to the date of disposal or from the date of acquisition.

Control means the power to govern, directly or indirectly, decision making in relation to the financial and operating policies of an entity so as to obtain benefits from its activities. Control is usually present when an entity has:
- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

In addition, potential voting rights that are presently exercisable or convertible are taken into account in determining whether control exists. However, all the facts of a particular situation are considered when determining whether control exists.

In relation to special purpose entities control is deemed to exist where:
- In substance, the majority of the residual risks and rewards from the activities accrue to the NZ Banking Group; or
- In substance, the NZ Banking Group controls decision making powers so as to obtain the majority of the risks and rewards of these activities

Associates and joint ventures
The NZ Banking Group adopts the equity method of accounting for associates and the Group's interest in joint venture entities.

The NZ Banking Group's share of the results of associates and joint venture entities is included in the consolidated income statement. Shares in associates and joint venture entities are carried in the consolidated balance sheet at cost plus the NZ Banking Group's share of post acquisition net assets. Interests in associates and joint ventures are reviewed for any indication of impairment at least at each reporting date. This impairment review may use a discounted cash flow methodology and other methodologies to determine the reasonableness of the valuation including a multiples of earning methodology.

viii) Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the NZ Banking Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The NZ Banking Group's financial statements are presented in New Zealand dollars, which is the Registered Bank's functional and presentation currency.

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the income statement in the period in which they arise.

Translation differences on non-monetary items, such as derivatives, measured at fair value through profit or loss, are reported as part of the fair value gain or loss on these items.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in the available-for-sale revaluation reserve in equity.

B) INCOME RECOGNITION

Revenue is recognised to the extent that it is probable that economic benefits will flow to the NZ Banking Group and that revenue can be reliably measured.

i) Interest income
Interest income is recognised in the income statement as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis.

ii) Fee and commission income
Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method. For example, loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn. Commitment fees to originate a loan which is unlikely to be drawn down are recognised as fee income as the service is provided.

Fees and commissions that relate to the execution of a significant act (for example, advisory services or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

iii) Dividend income
Dividends are recognised as revenue when the right to receive payment is established.

iv) Leasing income
Finance income on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.

v) Gain or loss on sale of property, plant and equipment
The gain or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognised as an item of other income in the period in which the significant risks and rewards of ownership are transferred to the buyer.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) EXPENSE RECOGNITION

Expenses are recognised in the income statement on an accruals basis.

i) Interest expense
Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method.

ii) Loan origination expenses
Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the expected yield of the financial asset over its expected life using the effective interest method.

iii) Share-based compensation expense
The NZ Banking Group has various equity settled share-based compensation plans. These are described in Note 39 and largely comprise the Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ ordinary shares
The fair value of ANZ ordinary shares granted under the Employee Share Acquisition Plan is measured at grant date, using the one-day volume weighted average market price of ANZ shares. The fair value is expensed immediately when shares vest immediately or on a straight-line basis over the relevant vesting period.

Share Options
The fair value of ANZ share options is measured at grant date, using an option pricing model. The fair value is expensed on a straight-line basis over the relevant vesting period. This is recognised as an employee compensation expense with a corresponding increase in the share options liability account.

The option pricing model takes into account the exercise price of the option, the risk free interest rate, the expected volatility of ANZ's ordinary share price and other factors. Market vesting conditions are taken into account in estimating the fair value.

Performance Rights
A Performance Right is a right to acquire a share at nil cost to the employee subject to satisfactorily meeting time and performance hurdles. Upon exercise, each Performance Right entitles the holder to one ordinary share in ANZ. The fair value of Performance Rights is determined at grant date using an option pricing model, taking into account market conditions. The fair value is expensed over the relevant vesting period with a corresponding increase in the share options liability account.

Other adjustments
Subsequent to the grant of an equity-based award, the amount recognised as an expense is adjusted for vesting conditions other than market conditions so that, ultimately, the amount recognised as an expense is based on the number of equity instruments that eventually vest.

iv) Lease payments
Leases entered into by the NZ Banking Group as lessee are predominantly operating leases, and the operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) INCOME TAX

i) Income tax expense
Income tax on earnings for the period comprises current and deferred tax and is based on the applicable tax law in each jurisdiction. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

ii) Current tax
Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

iii) Deferred tax
Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credit can be utilised

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in controlled entities, branches, associates and joint ventures, except where the Banking Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the NZ Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

iv) Offsetting
Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

E) ASSETS

Financial assets

i) Financial assets and liabilities at fair value through profit or loss
Trading securities are financial instruments acquired principally for the purpose of selling in the short-term or which are a part of a portfolio which is managed for short-term profit-taking. Trading securities are initially recognised and subsequently measured in the balance sheet at their fair value.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives that are neither financial guarantee contracts nor effective hedging instruments are carried at fair value through profit or loss. In addition, certain financial assets and liabilities are designated and measured at fair value through profit or loss where the following applies:

- doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities, or recognising the gains or losses thereon, on different bases;
- a group of financial assets or financial liabilities or both is managed and its performance evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Changes in the fair value (gains or losses) of these securities are recognised in the income statement in the period in which they occur.

Purchases and sales of trading securities are recognised on trade date.

ii) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying price index or other variables. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are entered into for trading purposes (including customer-related reasons) or for hedging purposes (where the derivative instruments are used to hedge the NZ Banking Group's exposures to interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions).

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement. Included in the determination of fair value of derivatives is a credit valuation adjustment to reflect the credit worthiness of the counterparty, modelled using the counterparty's credit spreads. The valuation adjustment is influenced by the mark-to-market of the derivative trades and by the movement in credit spreads.

Where the derivative is designated, and is effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. These hedging designations and associated accounting are as follows:

<u>Fair value hedge</u>

Where the NZ Banking Group hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the income statement. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged item, which are also recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement over a period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised adjustment is recognised immediately in the income statement.

<u>Cash flow hedge</u>

The NZ Banking Group designates derivatives as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, a foreign exchange component of a firm commitment, or a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges is deferred to the hedging reserve, which forms part of shareholders' equity. Any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the period during which the hedged forecast transactions take place.

When the hedge expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting, the cumulative amount deferred in equity remains in the hedging reserve, and is subsequently transferred to the income statement when the hedged item is recognised in the income statement.

When a forecast hedged transaction is no longer expected to occur, the amount deferred in equity is recognised immediately in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives that do not qualify for hedge accounting
All gains and losses from changes in the fair value of derivatives that are not designated in a hedging relationship but are entered into to manage the interest rate and foreign exchange risk of funding instruments are recognised in the income statement. Under certain circumstances, the component of the fair value change in the derivative which relates to current period realised and accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

Set-off arrangements
Fair value gains/losses arising from trading derivatives are not offset against fair value gains/losses on the balance sheet unless a legal right of set-off exists and there is an intention to settle net.

For contracts subject to master netting agreements that create a legal right of set-off for which only the net revaluation amount is recognised in the income statement, net unrealised gains on derivatives are recognised as part of other assets and net unrealised losses are recognised as part of other liabilities.

iii) Available-for-sale assets
Available-for-sale assets comprise non-derivative financial assets which the NZ Banking Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and include equity investments, certain loans and advances, and quoted debt securities.

They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve. When the asset is sold, the cumulative gain or loss relating to the asset is transferred to the income statement.

Where there is objective evidence of impairment on an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in the income statement, as an impairment expense for debt instruments or as non-interest income for equity instruments. If, in a subsequent period, the amount of an impairment loss relating to an available-for-sale debt instrument decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the income statement through the impairment expense line.

Purchases and sales of available-for-sale financial assets are recognised on trade date as with all regular way assets, being the date on which the NZ Banking Group commits to purchase or sell the asset.

iv) Net loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the NZ Banking Group provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method, unless specifically designated on initial recognition at fair value through profit or loss.

Loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills.

All loans are graded according to the level of credit risk. Loans are classified as either productive or impaired.

Impairment of loans and advances
Loans and advances are reviewed at least at each reporting date for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans), and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data such as changed economic conditions. The provision also takes account of the impact of inherent risk of large concentrated losses within the portfolio.

The estimated impairment losses are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of capitalised acquisition expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement for the reporting period is reflected in the income statement.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are taken to the income statement. Unsecured facilities are normally written-off when they become 180 days past due or earlier in the event of the customer's bankruptcy or similar legal release from the obligation. However, a certain level of recoveries is expected after the write-off, which is reflected in the amount of the provision for credit losses. In the case of secured facilities, remaining balances are written-off after proceeds from the realisation of collateral have been received, if there is a shortfall.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the income statement.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

v) Lease receivables

Contracts to lease assets and hire purchase agreements are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. All other lease contracts are classified as operating leases.

vi) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the NZ Banking Group, and a counterparty liability is disclosed under the classifications of due to other financial institutions or payables and other liabilities. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where the NZ Banking Group does not acquire the risks and rewards of ownership, are recorded as receivables in liquid assets, net loans and advances, or due from other financial institutions, depending on the term of the agreement and the counterparty. The security is not included in the balance sheet. Interest income is accrued on the underlying loan amount.

Securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, at which point the obligation to repurchase is recorded as a financial liability at fair value with fair value movements included in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

vii) Derecognition

The NZ Banking Group enters into transactions where it transfers financial assets recognised on its balance sheet yet retains either all the risks and rewards of the transferred assets or a portion of them. If all, or substantially all, the risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

In transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the NZ Banking Group derecognises the asset if control over the asset is lost. In transfers where control over the asset is retained, the NZ Banking Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The rights and obligations retained or created in the transfer are recognised separately as assets and liabilities as appropriate.

viii) Investments relating to insurance business

Securities held to back insurance and investment contract liabilities are classified as policyholder assets. These policyholder assets are designated at fair value through profit or loss.

Non-financial assets

ix) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control. Goodwill is recognised as an asset and not amortised, but assessed for impairment at least annually or more frequently if there is an indication that the goodwill may be impaired. This involves using the discounted cash flow ("DCF") or the capitalisation of earnings methodology ("CEM") to determine the expected future benefits of the cash generating units. Where the assessment results in the goodwill balance exceeding the value of expected future benefits, the difference is charged to the income statement. Any impairment of goodwill may not be subsequently reversed.

x) Other intangible assets

Other intangible assets include costs incurred in acquiring and building software and computer systems ("software") and management rights and customer relationships acquired in business combinations.

Software is amortised using the straight-line method over its expected useful life to the NZ Banking Group. The period of amortisation is between 3 and 5 years, except for certain core infrastructure projects where the useful life has been determined to be 7 years.

Management rights and customer relationships, including the value of in force insurance contracts, are initially measured at fair value. Management rights and customer relationships with a definite useful life are amortised over the expected useful life. Management rights and customer relationships with an indefinite useful life are not amortised.

At each reporting date, the software assets and other intangible assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

xi) Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The calculation of borrowing costs is based upon the NZ Banking Group's internal cost of capital.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to the NZ Banking Group, using the straight-line method. The depreciation rates used for each class of asset are:

Buildings	1.5%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5 % - 33%

Leasehold improvements are amortised on a straight-line basis over the shorter of their useful lives or remaining terms of the lease.

At each reporting date, the carrying amounts of premises and equipment are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement. If it is not possible to estimate the recoverable amount of an individual asset, the NZ Banking Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

xii) Insurance policy assets / liabilities

Net insurance policy assets / liabilities include liabilities arising from investment contracts and assets / liabilities arising from life insurance contracts.

Provisions for liabilities under investment contracts are measured at fair value. The provision consists of a deposit component, being a financial instrument, which is recognised as an increase in investment contract liabilities, and an investment management services element. Fair value is determined as the net present value of fees, in respect of the investment management service, discounted at the risk free rate.

Life insurance contract assets / liabilities are determined using either a projection method or an accumulation method. Using a projection method, expected policy cash flows are projected into the future. The asset / liability is determined as the net present value of the expected cash flows. An accumulation method is used where the policy assets / liabilities determined are not materially different from those determined under the projection method.

F) LIABILITIES

Financial liabilities

i) Deposits and other borrowings

Deposits and other borrowings include certificates of deposit, interest bearing deposits, debentures, commercial paper and other related interest bearing financial instruments. Deposits and other borrowings, excluding commercial paper, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method. Commercial paper is designated at fair value through profit or loss, with fair value movements recorded directly in the income statement, which reflects the basis on which it is managed.

ii) Bonds, notes and loan capital

Bonds, notes and loan capital are accounted for in the same way as deposits and other borrowings, except for those bonds and notes which are designated at fair value through profit or loss on initial recognition, with fair value movements recorded in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received.

Subsequent to initial recognition, the NZ Banking Group's liabilities under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses.

iv) Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Non-financial liabilities

v) Employee benefits

Leave benefits

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Expected future payments for long service leave are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation.

Superannuation schemes

The NZ Banking Group operates a number of defined contribution schemes and also contributes, according to local law, in the various countries in which it operates, to government and other plans that have the characteristics of defined contribution schemes. The NZ Banking Group's contributions to these schemes are recognised as an expense in the income statement when incurred.

The NZ Banking Group operates two defined benefit superannuation schemes. The liability and expense related to providing benefits to employees under each of the defined benefit schemes are calculated by independent actuaries. A defined benefit liability is recognised to the extent that the present value of the defined benefit obligation of each scheme, calculated using the Projected Unit Credit Method, is greater than the fair value of each scheme's assets. Where this calculation results in a benefit to the NZ Banking Group, a defined benefit asset is recognised which is capped at the recoverable amount.

In each subsequent reporting period, ongoing movements in the carrying value of the defined benefit liability or asset are treated as follows:

- the net movement relating to the current period's service cost, interest cost, expected return on scheme assets, past service costs and other costs (such as the effects of any curtailments and settlements), is recognised as an employee expense in the income statement;
- movements relating to actuarial gains and losses are recognised directly in retained earnings; and
- contributions incurred are recognised directly against the net defined benefit position.

The assets of the defined benefit and cash accumulation superannuation schemes are held in trust and are not included in these financial statements as the NZ Banking Group does not have direct or indirect control of these schemes. The benefits under the schemes are provided from contributions by employee members and by the NZ Banking Group, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at minimum of every three years in accordance with the schemes' Trust Deeds and superannuation legislation.

vi) Provisions

The NZ Banking Group recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Any expected third party recoveries are recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) EQUITY AND HEAD OFFICE ACCOUNT

i) Share capital

Share capital is recognised at the amount paid net of directly attributable issue costs.

ii) Head office account

Head office account comprises funds provided by the Ultimate Parent Bank. It is non-interest bearing and there is no fixed date of repayment.

iii) Non-controlling interests

Non-controlling interests represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Bank.

iv) Reserves

Available-for-sale revaluation reserve

This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the income statement (in non-interest income) when the asset is derecognised. Where the asset is impaired, the changes are transferred to the impairment expense line in the income statement for debt instruments and in the case of equity instruments to non-interest income.

Cash flow hedging reserve

This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

H) PRESENTATION

i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as being effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

ii) Offsetting of financial assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

iii) Statement of cash flows

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with other financial institutions, other short term, highly liquid investments with original terms of maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the NZ Banking Group. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

iv) Segment reporting

Business segments are distinguishable components of the NZ Banking Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. The NZ Banking Group operates predominately in the banking industry within New Zealand. The NZ Banking Group has very limited exposure to risk associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided. For reporting purposes the three major business segments are Retail Banking, Commercial Banking and Institutional.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows..

I) OTHER

i) Contingent liabilities

A contingent liability is a possible or present obligation where it is less than probable there will be an outflow of resources or it is not possible to measure the amount of the obligation with sufficient reliability.

Liabilities are no longer contingent, and are recognised on the balance sheet, when the following requirements are met:

- the transaction is probable in that the contingency is likely to occur; and
- the contingency can be reasonably estimated.

Further disclosure is made within the Contingent Liabilities and Credit Related Commitments note, where the above requirements are not met, but there is a possible obligation that is higher than remote. Specific details of the nature of the contingent liability are provided and, where practicable, an estimate of its financial effect. Alternatively, where no disclosure is made of its financial effect because it is not practicable to do so, a statement to that effect is provided.

ii) Securitisation, funds under management and other fiduciary activities

Certain entities within the NZ Banking Group act as trustees and/or managers for a number of unit trusts and superannuation investment funds. The NZ Banking Group provides private banking services to customers including portfolio management. The assets of the managed funds and private banking clients are not included in these financial statements, as direct or indirect control of the assets is not held by the NZ Banking Group. Commissions and fees earned in respect of the NZ Banking Group's funds under management are included in net operating income.

Financial services provided by any member of the NZ Banking Group to discretionary private banking activities or entities conducting funds management, and assets purchased from discretionary private banking activities or entities conducting funds management are on arm's length terms and conditions, and at fair value.

Securitised assets are derecognised when the right to receive cash flows have expired or the NZ Banking Group has transferred substantially all the risks and rewards of ownership.

iii) Discontinued operations

A discontinued operation is a component of the NZ Banking Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is classified as held for sale, or is a subsidiary that has been disposed of or is classified as held for sale.

When an operation is classified as a discontinued operation the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the NZ Banking Group in these financial statements. The NZ Banking Group does not intend to apply any of these pronouncements until they are effective.

NZ IFRS 9 Financial Instruments (effective periods commencing after 1 January 2013) – specifies a simpler methodology for classifying and measuring financial assets. The NZ Banking Group is currently assessing the impact of applying this standard to its financial statements.

The following amendments to accounting standards are not expected to have a material impact on the financial results of the Bank or the Banking Group:

NZ IAS 24 Related Party Disclosures (effective periods commencing after 1 July 2011) – simplifies the definition of a related party clarifying its intended meaning.

NZ IAS 32 Financial Instruments: Presentation – Classification of rights issues (effective periods commencing after 1 February 2010) – clarifies the classification of share rights, options or warrants for fixed amounts of any currency.

Improvements to New Zealand equivalents to International Financial Reporting Standards (various effective dates up to periods commencing 1 January 2010) – is the IASB's annual omnibus update of standards.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

These financial statements are prepared in accordance with NZ IFRS and other authoritative accounting pronouncements. Notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the NZ Banking Group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Critical accounting estimates and assumptions

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances, requires the NZ Banking Group to assess impairment at least at each reporting date. The credit provisions raised (individual and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Individual provisioning is applied when the full collectibility of one of the NZ Banking Group's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 14 for details of credit impairment provisions.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES (Continued)

Critical judgements in applying the NZ Banking Group's accounting policies

Derivatives and hedging
The NZ Banking Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions.

Hedging
A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that (a) exposes the NZ Banking Group to the risk of changes in fair value or future cash flows and (b) is designated as being hedged.

Judgement is required by management in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 *Financial Instruments: Recognition and Measurement* does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The NZ Banking Group adopts the hypothetical derivative approach to determine hedge effectiveness in line with current risk management strategies. Hedge ineffectiveness can arise for a number of reasons, and whilst a hedge may pass the effectiveness tests above it may not be perfectly effective, thus creating volatility within the income statement through recognition of this ineffectiveness.

Goodwill
The carrying value of goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable value at the balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment writedown.

Refer to Note 19 for details of goodwill.

Goodwill has been allocated for impairment purposes to the cash generating units at which the goodwill is monitored for internal reporting purposes. Each of these cash generating units is represented by an individual reporting segment – Institutional, Commercial, Retail. Refer to Note 33.

Impairment testing of purchased goodwill is performed annually, or more frequently where there is an indication that the goodwill may be impaired, by comparing the recoverable value of each cash generating unit with the current carrying amount of its net assets, including goodwill.

The recoverable amount is based on value-in use calculations. These calculations use cashflow projections based on financial budgets approved by management covering a three year period. Cashflows beyond the three year period are extrapolated using a 3% growth rate.

These cashflow projections are discounted using a capital asset pricing model. As at 31 March 2010 a discount rate of 11.66% was applied to each segment. The main variables in the calculation of the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the regional banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each operating segment. Management believes any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause ANZ's carrying amount to exceed its recoverable amount.

3. RISK MANAGEMENT POLICIES

The NZ Banking Group recognises the importance of effective risk management to its business success. Management is committed to achieving strong control and a distinctive risk management capability that enables the NZ Banking Group business units to meet their performance objectives.

The NZ Banking Group approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The Risk function is independent of the business with clear delegations ultimately from the Board of the Ultimate Parent Bank and operates within a comprehensive framework comprising:

- The Boards of the entities making up the NZ Banking Group ("the Boards"), providing leadership, setting risk appetite/strategy and monitoring progress;
- A strong framework for development and maintenance of risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- The use of sophisticated risk tools, applications and processes to execute the global risk management strategies as they are deemed to apply to each entity across the NZ Banking Group;
- Business Unit level accountability, as the "first line of defence", and for the management of risks in alignment with the strategy set by the relevant Board; and
- Independent oversight to ensure each entity across the NZ Banking Group, and the Business Units within those entities, comply with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The NZ Banking Group manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems are conducted within the NZ Banking Group and also by the Ultimate Parent Bank. The Boards have responsibility for reviewing all aspects of risk management.

The Boards have ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand.

The NZ Banking Group's risk management policies are essentially the same as the Ultimate Parent Bank, but are tailored where required to suit the local New Zealand regulatory and business environment.

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

Financial risk management
Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations.

Market risk is the risk to the NZ Banking Group's earnings arising from changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices.

Liquidity risk is the risk that the NZ Banking Group has insufficient capacity to fund increases in assets, or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt.

Refer to Financial Risk Management note for detailed disclosures on the NZ Banking Group's financial risk management policies.

Operational Risk
Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the reputation of entities making up the NZ Banking Group.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

3. RISK MANAGEMENT POLICIES (Continued)

Group Risk Management is responsible for establishing the ANZ Group-wide operational risk framework and associated Group-level policies. The entities across the NZ Banking Group are responsible for the implementation of the operational risk framework and associated policies along with the identification, analysis, assessment and treatment of operational risks on a day-to-day basis as applicable.

Compliance
The entities within the NZ Banking Group conduct their business in accordance with all relevant compliance requirements. In order to assist the NZ Banking Group identify, manage, monitor and measure its compliance obligations, a comprehensive regulatory compliance framework is in place, which addresses both external (regulatory) and internal compliance. This is applied according to the requirements of each entity.

Where appropriate, Risk Management, in conjunction with Business Unit staff ensures the key operating entities within the NZ Banking Group operate within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimise material risks to the NZ Banking Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. The Board of each entity has primary responsibility for the identification and management of compliance and may be assisted by Risk Management providing policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. The Board and the Risk Committee of the Ultimate Parent Bank Board conduct Board and executive oversight.

Internal audit
The Overseas Banking Group's internal audit function conducts independent reviews that assist the Overseas Banking Group's Board of Directors and management to meet their statutory and other obligations.

Internal Audit reports directly to the Chairman of the ANZ National Bank Audit Committee and through to the Group General Manager Internal Audit. Under its Charter, Internal Audit conducts independent appraisals of:

- The continued operation and effectiveness of the internal controls in place to safeguard and monitor all material risks to the NZ Banking Group;
- Compliance with Board policies and management directives;
- Compliance with the requirements of supervisory regulatory authorities;
- The economic and efficient management of resources; and
- The effectiveness of operations undertaken by the NZ Banking Group.

In planning the audit activities, Internal Audit adopts a risk-based approach that directs and concentrates resources to those areas of greatest significance, strategic concern and risk to the business. This encompasses reviews of major credit, market, technology and operating risks within the wider NZ Banking Group. Significant findings are reported quarterly to the Group and ANZ National Bank Limited Audit Committees as appropriate.

The Internal Audit Plan is approved by the ANZ National Bank Limited Audit Committee and endorsed by the ANZ Group Audit Committee.

All issues and recommendations reported to management are tracked and monitored internally to ensure completion and agreed actions are undertaken where appropriate.

4. INCOME

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Interest income						
Financial assets at fair value through profit or loss						
Trading securities	**160**	95	187	-	-	-
	160	95	187	-	-	-
Financial assets not at fair value through profit or loss						
Liquid assets	**33**	86	118	-	-	-
Other financial institutions	**38**	178	259	-	-	-
Available-for-sale assets	**28**	2	16	-	-	-
Lending on productive loans	**2,738**	3,875	6,857	**274**	28	241
Lending on impaired assets	**19**	2	8	-	-	-
Related parties	-	-	-	-	-	-
Other	**56**	(5)	34	-	-	-
	2,912	4,138	7,292	**274**	28	241
Total interest income	**3,072**	4,233	7,479	**274**	28	241
Net trading gains						
Net gain on foreign exchange trading	**69**	111	201	-	-	-
Net gain on trading securities	**51**	71	43	-	-	-
Net loss on trading derivatives	**(104)**	(63)	(57)	-	-	-
Total net trading gains	**16**	119	187	-	-	-
Net funds management and insurance income						
Fee income on trust and other fiduciary activities	**30**	25	52	-		
Other funds management and insurance income	**61**	22	45	-	-	-
Total net funds management and insurance income	**91**	47	97	-	-	-
Other operating income						
Net other fee income[1]	**274**	283	569	-	-	-
Dividends received	-	-	1	-	-	-
Associate investments	-	-	-	-	-	-
Net gain on available-for-sale assets	-	-	-	-	-	-
Net gain / (loss) on hedges not qualifying for hedge accounting	**59**	131	(16)	**53**	(13)	(18)
Net ineffectiveness on qualifying cash flow hedges	-	-	-	-	-	-
Net ineffectiveness on qualifying fair value hedges	**9**	(14)	7	**(5)**	5	8
Net cash flow hedge (loss) / gain transferred to income statement	**(21)**	19	3	-	-	-
Net gain /(loss) on financial liabilities designated at fair value through profit or loss	**2**	(26)	(20)	-	-	-
ING New Zealand Funds[2]	-	(166)	(211)	-	-	-
Loss on re-measuring existing equity interests to fair value	**(82)**	-	-	-	-	-
Other income	**36**	38	50	-	-	-
Total other operating income	**278**	265	383	**48**	(8)	(10)
[1]Net other fee income comprises:						
Lending and credit facility fee income	**85**	76	161	-	-	-
Other fee income	**281**	294	550	-	-	-
Total fee income	**366**	370	711	-	-	-
Direct fee expense	**92**	87	142	-	-	-
Net fee income	**274**	283	569	-	-	-

2. Refer to the Credit Related Commitments and Contingent Liabilities note for further information on ING New Zealand Funds.

5. EXPENSES

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Interest expense						
Financial liabilities at fair value through profit or loss						
Commercial paper	**119**	306	561	-	-	-
	119	306	561	-	-	-
Deposits at amortised cost						
Other financial institutions	**250**	198	434	**200**	23	146
Deposits and other borrowings	**1,047**	1,804	2,959	-	-	-
Bonds and notes	**362**	546	835	-	-	16
Term funding	**35**	55	101	-	-	-
Loan capital	**91**	112	207	-	-	-
Other	**21**	26	84	**4**	-	9
	1,806	2,741	4,620	**204**	23	171
Total interest expense	**1,925**	3,047	5,181	**204**	23	171
Operating expenses						
Personnel costs	**354**	374	718	-	-	-
Employee entitlements	**35**	36	73	-	-	-
Pension costs						
- Defined contribution schemes	**18**	18	36	-	-	-
- Defined benefit schemes	**4**	3	8	-	-	-
Share-based payments expense	**10**	9	18	-	-	-
Building occupancy costs	**20**	22	42	-	-	-
Depreciation of premises and equipment	**21**	18	39	-	-	-
Leasing and rental costs	**41**	40	80	-	-	-
Related parties (Note 41)	**39**	41	91	-	-	1
Computer expenses	**66**	57	120	-	-	-
Administrative expenses	**94**	85	178	-	-	-
Other costs	**46**	36	76	**13**	1	10
Total operating expenses	**748**	739	1,479	**13**	1	11

	Unaudited 6 months to 31/03/2010 $'000	Unaudited 6 months to 31/03/2009 $'000	Audited Year to 30/09/2009 $'000	**Unaudited 6 months to 31/03/2010 $'000**	Unaudited 6 months to 31/03/2009 $'000	Audited Year to 30/09/2009 $'000
Auditors' remuneration to KPMG comprises:						
Audit or review of financial statements	**1,466**	1,209	2,097	**52**	15	80
Other audit-related services	**171**	155	369	-	-	-
Total auditors' remuneration	**1,637**	1,364	2,466	**52**	15	80
Audit fees paid to other audit firms	**219**	-	-	-	-	-

It is NZ Banking Group policy that KPMG can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. KPMG may not provide services that are perceived to be in conflict with the role of auditor. Services that are perceived to be in conflict with the role of auditor include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be in conflict with the role of auditor may be provided by KPMG subject to the approval of the Ultimate Parent Bank Audit Committee.

Other audit-related services include services for the audit or review of financial information other than financial reports including prudential supervision reviews, prospectus reviews and other audits required for local regulatory purposes.

6. INCOME TAX EXPENSE

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 30/09/2009 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Reconciliation of the prima facie income tax payable on profit with the income tax expense charge in the income statement						
Profit before income tax	**495**	598	616	**94**	(7)	40
Prima facie income tax at 30%	**148**	179	185	**28**	(2)	12
Rebateable and non-assessable dividends	**(3)**	(4)	(8)	**-**	-	-
(Release of) / additional tax provision	**(44)**	-	240	**-**	-	-
Non-deductible expenses	**9**	1	6	**-**	-	-
	110	176	423	**28**	(2)	12
Income tax over provided in prior years	**(1)**	-	(1)	**-**	-	-
Total income tax expense	**109**	176	422	**28**	(2)	12
Effective tax rate (%) before tax provisions	**30.9%**	29.4%	29.5%	**30.0%**	28.6%	30.0%
Effective tax rate (%)	**22.0%**	29.4%	68.5%	**30.0%**	28.6%	30.0%
The major components of the income tax expense comprise:						
Amounts recognised in the income statement						
Current income tax charge						
Current income tax charge	**537**	259	386	**31**	(1)	15
Adjustments recognised in the current year in relation to current tax of prior periods	**(1)**	-	(1)	**-**	-	-
Deferred income tax						
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	**(454)**	(83)	136	**(3)**	(1)	(3)
Other (including indemnity)	**27**	-	(99)	**-**	-	-
Total income tax expense recognised in income statement	**109**	176	422	**28**	(2)	12
The following amounts were recognised directly to equity:						
Current income tax						
Actuarial gain / (loss) on defined benefit schemes and available-for-sale assets	**12**	(12)	(7)	**-**	-	-
Deferred income tax						
Net gain / (loss) on revaluation of financial instruments	**8**	(8)	(3)	**-**	-	-
Total income tax credit recognised directly in equity	**20**	(20)	(10)	**-**	-	-
Imputation Credit Account						
Balance at beginning of the year	**645**	696	696	**-**	-	-
Imputation credits attached to dividends received	**19**	41	31	**-**	-	-
Taxation paid	**394**	67	138	**-**	-	-
Imputation credits attached to dividends paid	**(97)**	(252)	(252)	**-**	-	-
Additions from companies joining the Imputation Group	**-**	-	-	**-**	-	-
Other	**1**	-	32	**-**	-	-
Balance at end of the year	**962**	552	645	**-**	-	-

The above amounts only include items that give rise to imputation credits that are available for use by the NZ Banking Group.

The parent is a member of an Imputation Group with other members of the Banking Group. The figures shown for the Parent above include the imputation credits available for use by the Parent held by the Imputation Group.

Settlement with Inland Revenue Department

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

7. LIQUID ASSETS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Cash and balances with central banks	**2,189**	2,606	2,373	**-**	-	-
Securities purchased under agreement to resell	**-**	9	-	**-**	-	-
Money at call	**227**	672	341	**-**	-	-
Bills receivable and remittances in transit	**104**	103	48	**-**	-	-
Total liquid assets	**2,520**	3,390	2,762	**-**	-	-
Included within liquid assets is the following balance:						
Overnight balances with central banks	**1,965**	2,418	2,207	-	-	-

8. DUE FROM OTHER FINANCIAL INSTITUTIONS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Able to be withdrawn without prior notice	**35**	167	172	-	-	-
Securities purchased under agreement to resell	**128**	558	1,083	-	-	-
Securities purchased under agreement to resell with central banks	-	38	-	-	-	-
Security settlements	**14**	1,760	370	-	-	-
Certificates of deposit	**1,807**	4,269	2,338	-	-	-
Reserve bank bills	-	-	398	-	-	-
Term loans and advances	**117**	839	153	-	-	-
Total due from other financial institutions	**2,101**	7,631	4,514	-	-	-

There are no assets used to secure deposit obligations or assets encumbered through repurchase agreements at 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil).

9. TRADING SECURITIES

TRADING SECURITIES

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Government, Local Body stock and bonds	**3,257**	677	1,389	**-**	-	-
Certificates of deposit	**125**	317	191	**-**	-	-
Promissory notes	**47**	88	28	**-**	-	-
Other bank bonds	**2,894**	1,366	2,475	**-**	-	-
Other	**43**	117	83	**-**	-	-
Total trading securities	**6,366**	2,565	4,166	**-**	-	-
Included within trading securities is the following balance:						
Assets encumbered through repurchase agreements	**36**	104	159	**-**	-	-

10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are contracts whose value is derived from one or more underlying variables or indices, require little or no initial net investment and are settled at a future date. Derivatives include contracts traded on registered exchanges and contracts agreed between counterparties, called “Over the Counter” or "OTCs". The use of derivatives and their sale to customers as risk management products is an integral part of the NZ Banking Group’s trading activities. Derivatives are also used to manage the NZ Banking Group’s own exposure to fluctuations in exchange and interest rates as part of its asset and liability management activities (i.e. balance sheet risk management).

Derivatives are subject to the same types of credit and market risk as other financial instruments, and the NZ Banking Group manages these risks in a consistent manner.

Types of derivatives instruments

The principal foreign exchange rate contracts used by the NZ Banking Group are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The principal interest rate contracts used by the NZ Banking Group are forward rate agreements, interest rate futures, interest rate swaps and options. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate future is an exchange traded contract for the delivery of a standardised amount of a fixed income security or time deposit at a future date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Interest rate options provide the buyer with the right but not the obligation either to receive or pay interest at a specified rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The principal commodity contracts used by the NZ Banking Group are commodity swaps. A commodity swap generally involves the exchange of the return on the commodity for a fixed or floating interest payment without the exchange of the underlying commodity or principal amount.

Equity related contracts are transacted by the NZ Banking Group to offset the equity risk associated with financial instruments priced against various share indices.

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading. The held for trading classification includes two categories of derivative instruments: those held as trading positions and those used for the NZ Banking Group’s balance sheet risk management.

Trading positions

Trading positions consist of both sales to customers and market making activities. Sales to customers include the structuring and marketing of derivative products to customers which enable them to take or mitigate risks. Market making activities consist of derivatives entered into principally for the purpose of generating profits from short-term fluctuations in price or margins. Positions may be traded actively or held over a period of time to benefit from expected changes in market rates.

Gains or losses, including any current period interest, from the change in fair value of trading positions are recognised in the income statement as other operating income in the period in which they occur.

Balance sheet risk management

The NZ Banking Group designates balance sheet risk management derivatives into hedging relationships in order to minimise income statement volatility. This volatility is created by differences in the timing of recognition of gains and losses between the derivative and the hedged item. Hedge accounting is not applied to all balance sheet risk management positions.

Gains or losses from the change in fair value of balance sheet risk management derivatives that form part of an effective hedging relationship are recognised in the income statement based on the hedging relationship. Any ineffectiveness is recognised in the income statement as other operating income in the period in which it occurs.

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Gains or losses, excluding any current period interest, from the change in fair value of balance sheet risk management positions that are not designated into hedging relationships are recognised in the income statement as other operating income in the period in which they occur. Current period interest is included in interest income and expense.

The following tables provide an overview of the NZ Banking Group's and the NZ Branch's foreign exchange rate, interest rate and commodity derivatives. They include all trading and balance sheet risk management contracts. Notional principal amounts measure the amount of the underlying financial commodity and represent the volume of outstanding transactions. They are not a measure of the risk associated with a derivative. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and as a consequence the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held and notional principal amounts are set out as follows:

	NZ Banking Group			NZ Branch		
	Notional Principal	Fair values		Notional Principal	Fair values	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	34,242	494	695	391	1	1
Swap agreements	96,176	1,608	2,194	10,291	328	12
Options purchased	1,331	36	-	-	-	-
Options sold	1,197	-	43	-	-	-
Collateral received / paid	n/a	(299)	(837)	n/a	-	-
	132,946	1,839	2,095	10,682	329	13
Interest rate derivatives						
Forward rate agreements	51,773	13	12	2,514	1	1
Swap agreements	376,707	6,654	6,093	3,894	24	11
Futures contracts	18,685	3	46	-	-	-
Options purchased	1,199	18	-	-	-	-
Options sold	2,883	-	14	-	-	-
	451,247	6,688	6,165	6,408	25	12
Commodity derivatives						
Fuel derivatives	42	1	1	-	-	-
Electricity derivatives	9	1	1	-	-	-
Total derivatives held for trading	584,244	8,529	8,262	17,090	354	25
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	12,601	146	108	-	-	-
Total derivatives designated as cash flow hedges	12,601	146	108	-	-	-
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	55	-	-	-	-	-
Interest rate derivatives						
Swap agreements	31,061	412	739	9,824	10	50
Total derivatives designated as fair value hedges	31,116	412	739	9,824	10	50
Total derivatives held for hedging	43,717	558	847	9,824	10	50
Total derivative financial instruments	627,961	9,087	9,109	26,914	364	75

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	NZ Banking Group			NZ Branch		
	Notional Principal	Fair values		Notional Principal	Fair values	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Unaudited 31/03/2009	$m	$m	$m	$m	$m	$m
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	29,860	1,217	1,199	186	-	6
Swap agreements	72,880	3,545	3,713	4,572	-	242
Options purchased	1,255	72	-	-	-	-
Options sold	1,234	-	65	-	-	-
Collateral received / paid	n/a	(328)	(2,824)	-	-	-
	105,229	4,506	2,153	4,758	-	248
Interest rate derivatives						
Forward rate agreements	38,598	47	20	523	-	-
Swap agreements	355,381	9,657	9,367	1,009	1	2
Futures contracts	16,021	96	11	-	-	-
Options purchased	1,941	31	-	-	-	-
Options sold	1,941	-	31	-	-	-
	413,882	9,831	9,429	1,532	1	2
Commodity derivatives						
Fuel derivatives	32	7	6	-	-	-
Electricity derivatives	25	2	2	-	-	-
Total derivatives held for trading	519,168	14,346	11,590	6,290	1	250
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	9,661	189	113	-	-	-
Total derivatives designated as cash flow hedges	9,661	189	113	-	-	-
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	68	3	-	-	-	-
Interest rate derivatives						
Swap agreements	27,263	534	1,377	3,498	29	-
Total derivatives designated as fair value hedges	27,331	537	1,377	3,498	29	-
Total derivatives held for hedging	36,992	726	1,490	3,498	29	-
Total derivative financial instruments	556,160	15,072	13,080	9,788	30	250

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	NZ Banking Group			NZ Branch		
	Notional Principal Amount	Fair values Assets	Fair values Liabilities	Notional Principal Amount	Fair values Assets	Fair values Liabilities
Audited 30/09/2009	$m	$m	$m	$m	$m	$m
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	29,918	684	1,581	557	1	3
Swap agreements	76,468	2,398	4,076	8,519	-	245
Options purchased	1,018	42	-	-	-	-
Options sold	953	-	52	-	-	-
Collateral received / paid	n/a	(115)	(2,908)	n/a	-	-
	108,357	3,009	2,801	9,076	1	248
Interest rate derivatives						
Forward rate agreements	30,526	2	3	1,972	-	-
Swap agreements	375,488	7,387	6,986	2,058	2	4
Futures contracts	20,647	45	2	-	-	-
Options purchased	2,026	23	-	-	-	-
Options sold	2,034	-	23	-	-	-
	430,721	7,457	7,014	4,030	2	4
Commodity derivatives						
Fuel derivatives	23	1	1	-	-	-
Electricity derivatives	13	1	1	-	-	-
Total derivatives held for trading	539,114	10,468	9,817	13,106	3	252
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	15,902	140	111	-	-	-
Total derivatives designated as cash flow hedges	15,902	140	111	-	-	-
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	18	-	-	-	-	-
Interest rate derivatives						
Swap agreements	30,051	407	1,046	6,485	31	2
Total derivatives designated as fair value hedges	30,069	407	1,046	6,485	31	2
Total derivatives held for hedging	45,971	547	1,157	6,485	31	2
Total derivative financial instruments	585,085	11,015	10,974	19,591	34	254

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Hedging relationships

The NZ Banking Group has two types of allowable hedging relationships entered into by the NZ Banking Group: fair value hedges and cash flow hedges. Each has specific requirements when accounting for the fair value changes in the hedging relationship. For details on the accounting treatment of each type of hedging relationship refer to Note 1.

Fair value hedges

The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or unrecognised firm commitment that may affect the income statement. Changes in fair value might arise through changes in interest rates or foreign exchange rates. The NZ Banking Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

The application of fair value hedge accounting results in the fair value adjustment on the hedged item attributable to the hedged risk being recognised in the income statement at the same time the hedging instrument impacts the income statement. If a hedging relationship is terminated, the fair value adjustment to the hedged item continues to be recognised as part of the carrying amount of the item or group of items and is amortised to the income statement as a part of the effective yield over the period to maturity. The table below shows the gain or loss on fair value hedges by hedging instrument and hedge item attributable to the hedged risk:

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Gain or (loss) arising from fair value hedges:						
- hedged item	**(275)**	390	115	**9**	(24)	(27)
- hedging instrument	**284**	(404)	(108)	**(14)**	29	35
Net ineffectiveness on qualifying fair value hedges	**9**	(14)	7	**(5)**	5	8

Cash flow hedges

The risk being hedged in a cash flow hedge is the potential volatility in future cash flows that may affect the income statement. Volatility in the future cash flows may result from changes in interest rates or changes in exchange rates arising from recognised financial assets and liabilities and highly probable forecast transactions. The NZ Banking Group's cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates or which are expected to be refunded or reinvested in the future. The NZ Banking Group primarily applies cash flow hedge accounting, where necessary, to its variable rate loan assets, variable rate liabilities and short term re-issuances of fixed rate customer and wholesale deposit liabilities. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their forecast repricing profile. This forms the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges.

The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges is deferred to the cash flow hedging reserve which forms part of equity. Amounts deferred in equity are recognised in the income statement in the period during which the hedged forecast transactions take place and is fully amortised when the hedging relationship matures.

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The table below shows the movements in the cash flow hedging reserve:

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Balance at beginning of the period	**23**	24	24	**-**	-	-
Transferred to income statement	**21**	(19)	(3)	**-**	-	-
Tax effect of items transferred to income statement	**(7)**	7	2	**-**	-	-
Valuation loss taken to equity	**2**	(9)	(1)	**-**	-	-
Tax effect of valuation loss taken to equity	**(1)**	3	1	**-**	-	-
Balance at end of the period	**38**	6	23	**-**	-	-

The mechanics of hedge accounting results in the gain or loss in the cash flow hedging reserve above being released into the income statement at the same time that the corresponding loss or gain attributable to the hedged item impacts the income statement. It will not necessarily be released to the income statement uniformly over the period of the hedging relationship as the fair value of the derivative is driven by changes in market rates over the term of the instrument. As market rates do not always move uniformly across all time periods, a change in market rates may drive more value in one forecast period than another, which impacts when the hedging reserve is released to the income statement.

The table below shows the breakdown of the cash flow hedging reserve attributable to each type of cash flow hedging relationship:

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Variable rate loan assets	**141**	214	149	**-**	-	-
Variable rate liabilities	**(32)**	(60)	(29)	**-**	-	-
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**(71)**	(148)	(97)	**-**	-	-
Total cash flow hedging reserve	**38**	6	23	**-**	-	-

All underlying hedged cash flows are expected to be recognised in the income statement in the year in which they occur which is anticipated to take place over the next 0 - 10 years (31/03/2009 0-10 years; 30/09/2009 0-10 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately as other operating income in the income statement. The ineffectiveness recognised in the income statement in respect of cash flow hedges was less than $1 million in the NZ Banking Group (31/03/2009 less than $1 million; 30/09/2009 less than $1 million) and $nil in the NZ Branch (31/03/2009 $nil; 30/09/2009 $nil).

There were no transactions where cash flow hedge accounting ceased in the period ended 31 March 2010 as a result of highly probable cash flows that were no longer expected to occur (31/03/2009 no transactions; 30/09/2009 no transactions).

11. AVAILABLE-FOR-SALE ASSETS

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
	$m	$m	$m	**$m**	$m	$m
Government, Local Body stock and bonds	**1,546**	496	1,394	**-**	-	-
Other debt securities	**208**	30	48	**-**	-	-
Equity securities	**96**	71	71	**-**	-	-
Total available-for-sale assets	**1,850**	597	1,513	**-**	-	-

12. NET LOANS AND ADVANCES

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
	$m	$m	$m	**$m**	$m	$m
Overdrafts	**2,014**	2,094	2,087	**-**	-	-
Credit card outstandings	**1,417**	1,429	1,402	**-**	-	-
Term loans - housing[1]	**53,471**	53,537	53,458	**10,025**	4,773	8,795
Term loans - non-housing	**39,382**	40,696	40,231	**-**	-	-
Finance lease receivables	**692**	741	683	**-**	-	-
Gross loans and advances	**96,976**	98,497	97,861	**10,025**	4,773	8,795
Provision for credit impairment (Note 14)	**(1,475)**	(879)	(1,281)	**(18)**	(3)	(9)
Unearned finance income	**(252)**	(295)	(262)	**-**	-	-
Fair value hedge adjustment	**426**	1,127	681	**9**	(24)	(27)
Deferred fee revenue and expenses	**(51)**	(54)	(53)	**(1)**	(1)	(1)
Capitalised brokerage/ mortgage origination fees	**65**	94	78	**14**	9	16
Total net loans and advances	**95,689**	98,490	97,024	**10,029**	4,754	8,774

1. As at 31 March 2010 the NZ Banking Group has not entered into any repurchase agreements for residential mortgage-backed securities with the Reserve Bank of New Zealand ("RBNZ") (31/03/2009 mortgages to the value of $1,806 million; 30/09/2009 $1,806 million). Therefore no underlying collateral has been accepted by the RBNZ under this transaction (in previous periods mortgages to the value of 31/03/2009 $2,250 million; 30/09/2009 $2,250 million were held by RBNZ as collateral).

.

In February 2009 and July 2009, the Bank sold $4,877 million and $4,986 million, respectively, of residential mortgages to the NZ Branch. These existing tranches of residential mortgages are regularly topped up with additional mortgages. Further sales of $2,612 million occurred in the six months ended 31 March 2010.

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

Individually impaired assets	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures	Total	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at beginning of the period	**387**	**59**	**740**	**1,186**	**10**	-	-	**10**
Transfers from productive	**307**	**132**	**666**	**1,105**	**25**	-	-	**25**
Transfers to productive	**(10)**	**(1)**	**(52)**	**(63)**	**(3)**	-	-	**(3)**
Assets realised or loans repaid	**(178)**	**(32)**	**(169)**	**(379)**	**(6)**	-	-	**(6)**
Write offs	**(38)**	**(63)**	**(20)**	**(121)**	**(2)**	-	-	**(2)**
Individually impaired asset balance at end of the period	**468**	**95**	**1,165**	**1,728**	**24**	-	-	**24**
Restructured items	**8**	-	-	**8**	-	-	-	-
Total impaired assets	**476**	**95**	**1,165**	**1,736**	**24**	-	-	**24**
Unaudited 31/03/2009								
Balance at beginning of the period	83	30	214	327	-	-	-	-
Transfers from productive	200	127	186	513	-	-	-	-
Transfers to productive	(10)	(20)	(14)	(44)	-	-	-	-
Assets realised or loans repaid	(64)	(15)	(28)	(107)	-	-	-	-
Write offs	(9)	(66)	(5)	(80)	-	-	-	-
Individually impaired asset balance at end of the period	200	56	353	609	-	-	-	-
Restructured items	2	-	18	20	-	-	-	-
Total impaired assets	202	56	371	629	-	-	-	-
Audited 30/09/2009								
Balance at beginning of the year	83	30	214	327	-	-	-	-
Transfers from productive	586	243	882	1,711	10	-	-	10
Transfers to productive	(22)	(20)	(25)	(67)	-	-	-	-
Assets realised or loans repaid	(232)	(45)	(230)	(507)	-	-	-	-
Write offs	(28)	(149)	(101)	(278)	-	-	-	-
Individually impaired asset balance at end of the year	387	59	740	1,186	10	-	-	10
Restructured items	-	2	-	2	-	-	-	-
Total impaired assets	387	61	740	1,188	10	-	-	10

Restructured assets

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

Restructured assets	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures	Total	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at beginning of the period	**2**	-	-	**2**	-	-	-	-
Transfers to restructured items	**6**	-	-	**6**	-	-	-	-
Transfers from restructured items	-	-	-	-	-	-	-	-
Balance at end of the period	**8**	-	-	**8**	-	-	-	-
Unaudited 31/03/2009								
Balance at beginning of the period	-	-	-	-	-	-	-	-
Transfers to restructured items	2	-	18	20	-	-	-	-
Transfers from restructured items	-	-	-	-	-	-	-	-
Balance at end of the period	2	-	18	20	-	-	-	-
Audited 30/09/2009								
Balance at beginning of the year	-	-	-	-	-	-	-	-
Transfers to restructured items	2	-	18	20	-	-	-	-
Transfers from restructured items	-	-	(18)	(18)	-	-	-	-
Balance at end of the year	2	-	-	2	-	-	-	-

Renegotiated loans

Renegotiated loans are loans that would otherwise be past due or impaired had their terms not been renegotiated. At 31 March 2010, loans and advances of $737 million were renegotiated in the Banking Group (30/09/2009 $266 million). At 31 March 2010, loans and advances of $62 million were renegotiated in the NZ Branch (30/09/2009 $nil).

Assets acquired through enforcement of security

Assets acquired through enforcement of security are those assets which are legally owned by the Banking Group as a result of enforcing security, other than any buildings occupied by the NZ Banking Group. The NZ Banking Group held no material assets acquired through enforcement of security (31/03/2009 $nil; 30/09/2009 $nil).

Past due assets

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

13. IMPAIRED ASSETS, PAST DUE ASSETS AND OTHER ASSETS UNDER ADMINISTRATION (Continued)

Further analysis of past due assets can be found in the Financial Risk Management note, including an ageing analysis of all past due assets 1 day and over where the counterparty has failed to make a payment when contractually due.

Other assets under administration

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

Interest forgone

Interest forgone on impaired assets has been calculated based on interest rates that would have been applied to loans of similar risk and maturity.

	NZ Banking Group				NZ Branch			
Unaudited 31/03/2010	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Past due assets (90 days past due assets)[1]								
Balance at beginning of the period	276	59	111	446	11	-	-	11
Transfers to past due assets	283	69	231	583	31	-	-	31
Transfers from past due assets	(359)	(80)	(221)	(660)	(24)	-	-	(24)
Balance at end of the period	200	48	121	369	18	-	-	18
Other assets under administration								
Balance at beginning of the period	-	-	-	-	-	-	-	-
Transfers to other assets under administration	-	-	1	1	-	-	-	-
Transfers from other assets under administration	-	-	-	-	-	-	-	-
Balance at end of the period	-	-	1	1	-	-	-	-
Undrawn facilities with impaired customers								
Balance at beginning of the period	-	-	32	32	-	-	-	-
Transfers to undrawn facilities with impaired customers	-	-	68	68	-	-	-	-
Balance at end of the period	-	-	100	100	-	-	-	-
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	21	3	50	74	-	-	-	-
Interest recognised	(7)	(1)	(12)	(20)	-	-	-	-
Net interest forgone on impaired loans	14	2	38	54	-	-	-	-
Unaudited 31/03/2009								
Past due assets (90 days past due assets)[1]								
Balance at beginning of the period	244	54	11	309	-	-	-	-
Transfers to past due assets	437	77	230	744	-	-	-	-
Transfers from past due assets	(275)	(60)	(171)	(506)	-	-	-	-
Balance at end of the period	406	71	70	547	-	-	-	-
Other assets under administration								
Balance at beginning of the period	-	-	1	1	-	-	-	-
Transfers to other assets under administration	-	-	10	10	-	-	-	-
Transfers from other assets under administration	-	-	(7)	(7)	-	-	-	-
Balance at end of the period	-	-	4	4	-	-	-	-
Undrawn facilities with impaired customers								
Balance at beginning of the period	-	-	6	6	-	-	-	-
Transfers to undrawn facilities with impaired customers	-	-	5	5	-	-	-	-
Balance at end of the period	-	-	11	11	-	-	-	-
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	6	2	10	18	-	-	-	-
Interest recognised	-	-	(2)	(2)	-	-	-	-
Net interest forgone on impaired loans	6	2	8	16	-	-	-	-

1 90 day past due assets not classified as impaired assets 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.

13. IMPAIRED ASSETS, PAST DUE ASSETS AND OTHER ASSETS UNDER ADMINISTRATION (Continued)

	NZ Banking Group				NZ Branch			
Audited 30/09/2009	**Retail mortgages $m**	**Other retail exposures $m**	**Corporate exposures $m**	**Total $m**	**Retail mortgages $m**	**Other retail exposures $m**	**Corporate exposures $m**	**Total $m**
Past due assets (90 days past due assets)[1]								
Balance at beginning of the year	244	54	11	309	-	-	-	-
Transfers to past due assets	864	149	448	1,461	12	-	-	12
Transfers from past due assets	(832)	(144)	(348)	(1,324)	(1)	-	-	(1)
Balance at end of the year	276	59	111	446	11	-	-	11
Other assets under administration								
Balance at beginning of the year	-	-	1	1	-	-	-	-
Transfers to other assets under administration	-	-	42	42	-	-	-	-
Transfers from other assets under administration	-	-	(43)	(43)	-	-	-	-
Balance at end of the year	-	-	-	-	-	-	-	-
Undrawn facilities with impaired customers								
Balance at beginning of the year	-	-	6	6	-	-	-	-
Transfers to (from) undrawn facilities with impaired customers	-	-	26	26	-	-	-	-
Balance at end of the year	-	-	32	32	-	-	-	-
Interest forgone on impaired assets								
Gross interest receivable on impaired loans	22	4	42	68	-	-	-	-
Interest recognised	(4)	(1)	(7)	(12)	-	-	-	-
Net interest forgone on impaired loans	18	3	35	56	-	-	-	-

1 90 day past due assets not classified as impaired assets 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.

14. PROVISION FOR CREDIT IMPAIRMENT

	NZ Banking Group				NZ Branch			
Unaudited 31/03/2010	**Retail mortgages $m**	**Other retail exposures $m**	**Corporate exposures $m**	**Total $m**	**Retail mortgages $m**	**Other retail exposures $m**	**Corporate exposures $m**	**Total $m**
Collective provision								
Balance at beginning of the period	**127**	**159**	**518**	**804**	**6**	-	-	**6**
Charge to income statement	**1**	**2**	**60**	**63**	**5**	-	-	**5**
Balance at end of the period	**128**	**161**	**578**	**867**	**11**	-	-	**11**
Individual provision (individually impaired assets)								
Balance at beginning of the period	**156**	**40**	**281**	**477**	**3**	-	-	**3**
Charge to income statement	**101**	**60**	**101**	**262**	**6**	-	-	**6**
Recoveries of amounts previously written off	**1**	**8**	**1**	**10**	-	-	-	-
Bad debts written off	**(38)**	**(63)**	**(20)**	**(121)**	**(2)**	-	-	**(2)**
Discount unwind[1]	**(7)**	**(1)**	**(12)**	**(20)**	-	-	-	-
Balance at end of the period	**213**	**44**	**351**	**608**	**7**	-	-	**7**
Total provision for credit impairment	**341**	**205**	**929**	**1,475**	**18**	-	-	**18**
Unaudited 31/03/2009								
Collective provision								
Balance at beginning of the period	81	164	289	534	-	-	-	-
Charge (credit) to income statement	15	(16)	77	76	3	-	-	3
Balance at end of the period	96	148	366	610	3	-	-	3
Individual provision (individually impaired assets)								
Balance at beginning of the period	28	10	94	132	-	-	-	-
Charge to income statement	35	78	99	212	-	-	-	-
Recoveries of amounts previously written off	-	9	1	10	-	-	-	-
Bad debts written off	(9)	(66)	(5)	(80)	-	-	-	-
Discount unwind[1]	-	-	(5)	(5)	-	-	-	-
Balance at end of the period	54	31	184	269	-	-	-	-
Total provision for credit impairment	150	179	550	879	3	-	-	3
Audited 30/09/2009								
Collective provision								
Balance at beginning of the year	81	164	289	534	-	-	-	-
Charge (credit) to income statement	46	(5)	229	270	6	-	-	6
Balance at end of the year	127	159	518	804	6	-	-	6
Individual provision (individually impaired assets)								
Balance at beginning of the year	28	10	94	132	-	-	-	-
Charge to income statement	155	161	297	613	3	-	-	3
Recoveries of amounts previously written off	1	18	1	20	-	-	-	-
Bad debts written off	(28)	(149)	(101)	(278)	-	-	-	-
Discount unwind[1]	-	-	(10)	(10)	-	-	-	-
Balance at end of the year	156	40	281	477	3	-	-	3
Total provision for credit impairment	283	199	799	1,281	9	-	-	9

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

14. PROVISION FOR CREDIT IMPAIRMENT (Continued)

Provision movement analysis	NZ Banking Group Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	NZ Branch Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2010								
New and increased provisions	**128**	**73**	**176**	**377**	**7**	**-**	**-**	**7**
Provision releases	**(26)**	**(5)**	**(74)**	**(105)**	**(1)**	**-**	**-**	**(1)**
	102	**68**	**102**	**272**	**6**	**-**	**-**	**6**
Recoveries of amounts previously written off	**(1)**	**(8)**	**(1)**	**(10)**	**-**	**-**	**-**	**-**
Individual provision charge	**101**	**60**	**101**	**262**	**6**	**-**	**-**	**6**
Collective provision charge	**1**	**2**	**60**	**63**	**5**	**-**	**-**	**5**
Charge to income statement	**102**	**62**	**161**	**325**	**11**	**-**	**-**	**11**
Unaudited 31/03/2009								
New and increased provisions	36	87	103	226	-	-	-	-
Provision releases	(1)	-	(3)	(4)	-	-	-	-
	35	87	100	222	-	-	-	-
Recoveries of amounts previously written off	-	(9)	(1)	(10)	-	-	-	-
Individual provision charge	35	78	99	212	-	-	-	-
Collective provision charge / (credit)	15	(16)	77	76	3	-	-	3
Charge to income statement	50	62	176	288	3	-	-	3
Audited 30/09/2009								
New and increased provisions	165	182	316	663	3	-	-	3
Provision releases	(9)	(3)	(18)	(30)	-	-	-	-
	156	179	298	633	3	-	-	3
Recoveries of amounts previously written off	(1)	(18)	(1)	(20)	-	-	-	-
Individual provision charge	155	161	297	613	3	-	-	3
Collective provision charge / (credit)	46	(5)	229	270	6	-	-	6
Charge to income statement	201	156	526	883	9	-	-	9

15. SHARES IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	NZ Banking Group **Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	NZ Branch **Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Shares in associates	**142**	148	211	**-**	-	-
Shares in jointly controlled entities	**2**	248	253	**-**	-	-
Total shares in associates and jointly controlled entities	**144**	396	464	**-**	-	-
Shares in associates comprise:						
Balance at beginning of the period	**211**	144	144	**-**	-	-
Acquisitions	**-**	2	67	**-**	-	-
Disposals	**-**	-	-	**-**	-	-
Transfers to subsidiary company	**(96)**	-	-	**-**	-	-
Impairment	**(3)**	-	(2)	**-**	-	-
Share of profit of equity accounted associates	**30**	2	2	**-**	-	-
Balance at end of the period	**142**	148	211	**-**	-	-

Shares in associates at 31 March 2010 includes goodwill of $57 million (31/03/2009 $57 million; 30/09/2009 $57 million) for the NZ Banking Group and $nil (31/03/2009 $nil; 30/09/2009 $nil) for the NZ Branch.

	NZ Banking Group **Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	NZ Branch **Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Shares in jointly controlled entities comprise:						
Balance at beginning of the period	**253**	219	219	-	-	-
Acquisitions	-	23	23	-	-	-
Disposals	**(1)**	-	-	-	-	-
Transfers to subsidiary company	**(255)**	-	-	-	-	-
Impairment	**(1)**	-	-			
Share of profit of jointly controlled entities	**6**	6	11	-	-	-
Balance at end of the period	**2**	248	253	-	-	-

Shares in jointly controlled entities at 31 March 2010 includes goodwill of $nil million (31/03/2009 $97 million; 30/09/2009 $94 million) for the NZ Banking Group and $nil (31/03/2009 $nil; 30/09/2009 $nil) for the NZ Branch.

16. OTHER ASSETS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Accrued interest and prepaid discounts	**398**	458	397	-	25	-
Accrued commission	**21**	25	19	-	-	-
Defined benefit schemes surplus	-	-	-	-	-	-
Share-based payments asset	**58**	51	52	-	-	-
Prepaid expenses	**98**	58	86	-	-	-
Security settlements	**448**	55	291	-	-	-
Other assets	**149**	231	296	-	-	-
Total other assets	**1,172**	878	1,141	-	25	-

17. DEFERRED TAX ASSETS / LIABILITIES

	NZ Banking Group			NZ Branch		
Deferred tax assets / (liabilities)	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Balance at beginning of the period	**(15)**	118	118	**3**	-	-
Credited / (charged) to income statement	**454**	83	(136)	**3**	1	3
(Charged) / credited directly to equity	**(8)**	(8)	3	-	-	-
Balance at end of the period	**431**	193	(15)	**6**	1	3
Deferred tax assets / (liabilities) comprise the following temporary differences:						
Provision for credit impairment	**442**	251	384	**5**	1	3
Deferred fee revenue and expenses	**5**	4	4	-	-	-
Premises and equipment	**1**	1	2	-	-	-
Software	**6**	6	5	-	-	-
Provisions and accruals	**148**	168	191	**1**	-	-
Derivative financial instruments	**2**	4	-	-	-	-
Defined benefit schemes	**11**	20	17	-	-	-
Tax losses generated not utilised	**42**	-	-	-	-	-
Lease finance	**(123)**	(101)	(113)	-	-	-
Other (including provisions)	**(103)**	(160)	(505)	-	-	-
Net deferred tax assets /(liabilities)[1]	**431**	193	(15)	**6**	1	3
Deferred tax credited / (charged) to the income statement comprises the following temporary differences:						
Provision for credit impairment	**58**	51	184	**2**	1	3
Deferred fee revenue and expenses	**1**	1	1	-	-	-
Premises and equipment	**(1)**	1	2	-	-	-
Software	**1**	(5)	(6)	-	-	-
Provisions and accruals	**(43)**	43	66	**1**	-	-
Derivative financial instruments	**2**	1	(3)	-	-	-
Defined benefit schemes	**(6)**	12	9	-	-	-
Tax losses generated not utilised	**42**	-	-	-	-	-
Lease finance	**(10)**	(11)	(23)	-	-	-
Other (including provisions)	**410**	(10)	(366)	-	-	-
Total deferred tax charged / (credited) to the income statement	**454**	83	(136)	**3**	1	3
Deferred tax (charged)/ credited to equity comprises the following temporary differences:						
Financial instruments	**(8)**	(8)	3	-	-	-
Total deferred tax credited directly to equity	**(8)**	(8)	3	-	-	-

There were unrecognised deferred tax assets of $51m relating to ING NZ tax losses as at 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil).

1. Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

18. PREMISES AND EQUIPMENT

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Freehold and leasehold land and buildings						
At cost	**63**	63	63	**-**	-	-
Accumulated depreciation	**(11)**	(11)	(11)	**-**	-	-
Total carrying amount	**52**	52	52	**-**	-	-
Leasehold improvements						
At cost	**99**	100	99	**-**	-	-
Accumulated depreciation	**(80)**	(77)	(78)	**-**	-	-
Total carrying amount	**19**	23	21	**-**	-	-
Furniture and equipment						
At cost	**274**	264	265	**-**	-	-
Accumulated depreciation	**(200)**	(184)	(191)	**-**	-	-
Total carrying amount	**74**	80	74	**-**	-	-
Computer and office equipment						
At cost	**277**	252	251	**-**	-	-
Accumulated depreciation	**(200)**	(204)	(200)	**-**	-	-
Total carrying amount	**77**	48	51	**-**	-	-
Work in progress	**83**	47	80	**-**	-	-
Total premises and equipment	**305**	250	278	**-**	-	-

Reconciliations of the carrying amounts for each class of premises and equipment are set out below:

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Freehold and leasehold land and buildings						
Balance at beginning of the period	**52**	57	57	-	-	-
Additions	-	10	10	-	-	-
Disposals	-	(15)	(15)	-	-	-
Balance at end of the period	**52**	52	52	-	-	-
Leasehold improvements						
Balance at beginning of the period	**21**	23	23	-	-	-
Additions	-	2	3	-	-	-
Depreciation	**(2)**	(2)	(5)	-	-	-
Balance at end of the period	**19**	23	21	-	-	-
Furniture and equipment						
Balance at beginning of the period	**74**	79	79	-	-	-
Additions	**7**	8	10	-	-	-
Acquired as part of business combination	**2**	-	-			
Disposals	-	-	(1)	-	-	-
Depreciation	**(9)**	(7)	(14)	-	-	-
Balance at end of the period	**74**	80	74	-	-	-
Computer and office equipment						
Balance at beginning of the period	**51**	50	50	-	-	-
Additions	**35**	9	24	-	-	-
Acquired as part of business combination	**2**	-	-			
Disposals	**(1)**	(2)	(4)	-	-	-
Depreciation	**(10)**	(9)	(19)	-	-	-
Balance at end of the period	**77**	48	51	-	-	-
Work in progress						
Balance at beginning of the period	**80**	33	33	-	-	-
Net additions	**3**	14	47	-	-	-
Balance at end of the period	**83**	47	80	-	-	-
Total premises and equipment	**305**	250	278	-	-	-

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Goodwill						
Gross carrying amount						
Balance at beginning of the period	**3,262**	3,262	3,262	-	-	-
Balance at end of the period	**3,262**	3,262	3,262	-	-	-
Software						
Gross carrying amount						
Balance at beginning of the period	**115**	96	96	-	-	-
Additions from internal developments	**21**	4	19	-	-	-
Additions from purchases	**3**	-	-	-	-	-
Acquired as part of a business combination	**1**	-	-	-	-	-
Impairment	**(9)**	-	-	-	-	-
Balance at end of the period	**131**	100	115	-	-	-
Accumulated amortisation						
Balance at beginning of the period	**(58)**	(47)	(47)	-	-	-
Accumulated amortisation on impaired assets	**8**			-	-	-
Amortisation expense[1]	**(4)**	(6)	(11)	-	-	-
Balance at end of the period	**(54)**	(53)	(58)	-	-	-
Total software	**77**	47	57	-	-	-
Other intangible assets						
Gross carrying amount						
Balance at beginning of the period	**6**	4	4	-	-	-
Additions	-	9	9	-	-	-
Impairments	-	-	(7)	-	-	-
Acquired as part of a business combination	**222**	-	-	-	-	-
Balance at end of the period	**228**	13	6	-	-	-
Accumulated amortisation						
Balance at beginning of the period	**(3)**	(1)	(1)	-		
Amortisation expense[1]	**(4)**	-	(2)	-	-	-
Balance at end of the period	**(7)**	(1)	(3)	-	-	-
Other intangible assets	**221**	12	3	-	-	-
Total goodwill and other intangible assets	**3,560**	3,321	3,322	-	-	-

As at 31 March 2010, the balance of goodwill recorded as an asset which relates to the acquisition of The National Bank of New Zealand Limited in June 2004 was $3,230 million (31/03/2009 $3,230 million; 30/09/2009 $3,230 million).

1. Software amortisation expense is included in other costs in the income statement.

20. DUE TO OTHER FINANCIAL INSTITUTIONS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	**10,945**	5,280	9,286	**10,614**	4,751	8,801
Securities sold under agreements to repurchase from other financial institutions	**36**	45	159	**-**	-	-
Securities sold under agreements to repurchase from central banks[1]	**-**	1,856	1,806	**-**	-	-
Other financial institutions	**960**	1,730	1,263	**-**	-	-
Total due to other financial institutions	**11,941**	8,911	12,514	**10,614**	4,751	8,801
Included within due to other financial institutions is the following balance:						
Balances owing to the Ultimate Parent Bank by						
ANZ National (Int'l) Limited guaranteed by the Bank	**282**	528	485	**-**	-	-
Australia and New Zealand Banking Group Limited - NZ Branch	**10,614**	4,751	8,801	**10,614**	4,751	8,801

Balances owing to the Ultimate Parent Bank are due over a range of time periods to 2014. Interest is paid at variable bank rates.

1. As at 31 March 2010 the NZ Banking Group has not entered into any repurchase agreements for residential mortgage-backed securities with the Reserve Bank of New Zealand ("RBNZ") (31/03/2009 mortgages to the value of $1,806 million; 30/09/2009 $1,806 million). Therefore no underlying collateral has been accepted by the RBNZ (in previous periods mortgages to the value of 31/03/2009 $2,250 million; 30/09/2009 $2,250 million were held by RBNZ as collateral).

21. DEPOSITS AND OTHER BORROWINGS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Amortised cost						
Certificates of deposit	**3,950**	7,054	4,441	-	-	-
Term deposits	**33,394**	30,020	32,997	-	-	-
Demand deposits bearing interest	**19,623**	23,583	21,024	-	-	-
Deposits not bearing interest	**4,895**	4,248	4,373	-	-	-
Secured debenture stock	**1,358**	1,702	1,537	-	-	-
Securities sold under agreement to repurchase	-	9	-	-	-	-
Total deposits and other borrowings recognised at amortised cost	**63,220**	66,616	64,372	-	-	-
Fair value through the profit or loss						
Commercial paper	**7,416**	6,144	7,392	-	-	-
Total deposits and other borrowings recognised at fair value	**7,416**	6,144	7,392	-	-	-
Total deposits and other borrowings	**70,636**	72,760	71,764	-	-	-

The NZ Banking Group has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the six months ended 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil). Deposits from customers are unsecured and rank equally with other unsecured liabilities of the NZ Banking Group. In the unlikely event that an entity within the NZ Banking Group 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 ANZ National Bank Limited at amortised cost	**7,415**	6,135	7,388	-	-	-
UDC Finance Limited secured debentures						
Carrying value of total tangible assets	**1,898**	2,006	1,877	-	-	-

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.

22. PAYABLES AND OTHER LIABILITIES

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Creditors	**396**	61	81	**-**	-	-
Accrued interest and unearned discounts	**642**	734	732	**58**	7	41
Defined benefit schemes deficit	**37**	66	55	**-**	-	-
Share-based payments liability	**23**	18	28	**-**	-	-
Accrued charges	**278**	201	257	**2**	1	2
Security settlements	**97**	552	205	**-**	-	-
Equitable assignment of mortgages[1]	**18**	22	19	**-**	-	-
Other liabilities	**190**	489	170	**3**	-	-
Total payables and other liabilities	**1,681**	2,143	1,547	**63**	8	43

1. The ANZ FlexiMortgage Income Trust holds mortgages under an equitable assignment with ANZ National Bank Limited. The ANZ FlexiMortgage Income Trust can at any time require the ANZ National Bank Limited to repurchase any mortgage. ANZ National Bank Limited may also require repurchase in certain circumstances. The mortgages are included in these financial statements.

23. PROVISIONS

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
	$m	$m	$m	**$m**	$m	$m
Non-lending losses, frauds and forgeries	**3**	4	4	-	-	-
Employee entitlements[1]						
Balance at beginning of the period	**119**	117	117	-	-	-
Acquired as part of business combination	**6**	-	-	-	-	-
New provisions	**29**	31	60	-	-	-
Provisions utilised	**(34)**	(35)	(58)	-	-	-
Balance at end of the period	**120**	113	119	-	-	-
Personnel restructuring costs[2]						
Balance at beginning of the period	**6**	32	32	-	-	-
New provisions	-	17	17	-	-	-
Provisions utilised	**(3)**	(22)	(43)	-	-	-
Balance at end of the period	**3**	27	6	-	-	-
Redundant assets restructuring costs[2]						
Balance at beginning of the period	**18**	1	1	-	-	-
New provisions	-	-	17	-	-	-
Transfers from subsidiary companies	-	-	-	-	-	-
Provisions utilised	**(1)**	-	-	-	-	-
Balance at end of the period	**17**	1	18	-	-	-
Other provisions[3]						
Balance at beginning of the period	**136**	29	29	-	-	-
Acquired as part of business combination	**108**	-	-	-	-	-
New provisions	-	179	257	-	-	-
Provisions utilised	**(46)**	(13)	(150)	-	-	-
Balance at end of the period	**198**	195	136	-	-	-
Total provisions	**341**	340	283	-	-	-

1. **Employee entitlements**
The provision for employee entitlements provides mainly for the cost of employee entitlements to annual leave, long service leave and retirement leave. The majority of employees utilise their annual leave in the year the entitlement accrued.

2. **Personnel restructuring costs and redundant assets restructuring costs**
Restructuring cost provisions arise from exit activities relating to material changes in the scope or manner of business undertaken by the NZ Banking Group and includes termination benefits. Provisions are made when the NZ Banking Group is demonstrably committed, it is probable that the costs will be incurred, though their timing is uncertain, and the costs can be reliably estimated. The majority of provisions recognised at 31 March 2010 are expected to be settled over the 2010 financial year, with the exception that provisions for losses arising from rental commitments on leased premises which have become vacant as a result of restructuring will be settled over the remaining term of the leases.

3. **Other provisions**
Other provisions includes provisions relating to the ING New Zealand Funds, refer to the Contingent Liabilities and Credit Related Commitments note for further information, and the fair value of other contingent liabilities and provisions acquired as part of the acquisition of ING NZ.

24. BONDS AND NOTES

					NZ Banking Group		
					Unaudited	Unaudited	Audited
					31/03/2010	31/03/2009	30/09/2009
					$m	$m	$m
Issued by ANZ National Bank Limited							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
NZD	50m	floating rate notes	2009	3 month BKBM + 0.30%	-	50	-
NZD	70m	floating rate notes	2010	3 month BKBM + 0.35%	**70**	70	70
NZD	100m	fixed rate notes	2010	8.50%	**100**	100	100
NZD	75m	fixed rate notes	2010	8.50%	**75**	75	75
NZD	65m	fixed rate notes	2010	3 month BKBM + 0.80%	**65**	-	65
NZD	50m	floating rate notes	2011	3 month BKBM + 1.24%	**50**	-	50
NZD	150m	fixed rate notes	2011	6.80%	**150**	150	150
NZD	170m	floating rate notes	2011	3 month BKBM + 0.90%	**170**	170	170
NZD	50m	fixed rate notes	2011	8.25%	**50**	50	50
NZD	100m	floating rate notes	2012	3 month BKBM + 1.025%	**100**	-	100
NZD	150m	fixed rate notes	2012	5.63%	**150**	-	150
NZD	100m	fixed rate notes	2013	6.32%	**100**	-	-
NZD	175m	fixed rate notes	2014	8.50%	**175**	175	175
NZD	60m	fixed rate notes	2014	8.50%	**60**	60	60
NZD	250m	fixed rate notes	2015	6.60%	**250**	-	-
Index linked notes					**92**	81	78
Fair value hedge adjustment					**248**	334	223
Less Bond instruments held by the Banking Group					**(82)**	-	-
					1,823	1,315	1,516
Issued by ANZ National (Int'l) Limited							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
EUR	750m	floating rate notes	2009	3 month EURIBOR + 0.12%	-	1,748	-
HKD	1,000m	fixed rate notes	2009	4.40%	-	227	-
NZD	150m	floating rate notes	2009	3 month BKBM + 0.10%	-	150	150
HKD	300m	fixed rate notes	2009	4.93%	-	68	-
USD	750m	floating rate notes	2009	3 month LIBOR + 0.04%	-	1,320	-
USD	300m	floating rate notes	2009	1 month LIBOR + 0.04%	-	528	416
NZD	20m	floating rate notes	2009	3 month BKBM + 0.05%	-	20	-
USD	1m	floating rate notes[1]	2009	1 month LIBOR + 0.01%	-	2	-
USD	1,211m	floating rate notes[2]	2009	3 month LIBOR + 0.22%	-	2,132	-
USD	789m	floating rate notes[2]	2009	3 month LIBOR + 0.22%	-	1,389	1,093
JPY	8,640m	fixed rate notes	2009	0.114%	-	155	-
JPY	6,000m	floating rate notes	2009	3 month JPY LIBOR	-	108	92
USD	8m	floating rate notes[1]	2010	1 month LIBOR + 0.01%	-	14	11
USD	750m	floating rate notes	2010	3 month LIBOR + 0.11%	**1,057**	1,320	1,039
NZD	100m	floating rate notes	2010	3 month BKBM + 0.05%	-	100	100
CHF	275m	floating rate notes	2010	3 month CHF LIBOR + 0.75%	**363**	422	369
SGD	200m	fixed rate notes	2010	3.22%	**201**	232	196
USD	100m	floating rate notes	2010	3 month LIBOR + 0.55%	**141**	176	139
AUD	50m	floating rate notes	2010	3 month BBSW + 0.61%	**65**	60	61
USD	890m	floating rate notes[3]	2010	3 month LIBOR + 1.03%	**1,254**	1,567	1,234
USD	300m	fixed rate notes	2011	5.50%	**423**	528	416
GBP	435m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**924**	1,094	966
GBP	105m	floating rate notes	2011	3 month GBP LIBOR + 0.05%	**223**	-	233
USD	500m	floating rate notes[4]	2011	3 month LIBOR + 0.18%	**704**	-	693
USD	250m	floating rate notes	2011	3 month LIBOR + 0.70%	**352**	-	346
USD	100m	floating rate notes[4]	2011	3 month LIBOR + 0.32%	**141**	-	139
USD	20m	floating rate notes[4]	2011	3 month LIBOR + 0.20%	**28**	-	28
USD	100m	floating rate notes	2011	3 month LIBOR + 0.65%	**141**	-	139
HKD	155m	floating rate notes	2011	3 month HIBOR + 0.51%	**28**	-	28
GBP	450m	floating rate notes[3]	2012	6 month GBP LIBOR + 0.08%	**955**	1,132	999
USD	1,000m	fixed rate notes[4]	2012	3.25%	**1,409**	1,760	1,386
USD	500m	fixed rate notes[4]	2012	3.25%	**705**	-	693
USD	100m	floating rate notes[4]	2012	3 month LIBOR + 0.25%	**141**	-	139
USD	15m	floating rate notes	2012	3 month LIBOR + 0.80%	**21**	-	21
HKD	300m	floating rate notes	2012	3 month HIBOR + 0.71%	**54**	-	-
USD	1250m	fixed rate notes	2012	2.375%	**1,761**	-	-
USD	2,000m	fixed rate notes	2013	6.20%	**2,816**	3,521	2,772

(Continued on the following page)

24. BONDS AND NOTES (continued)

USD	100m	floating rate notes[4]	2014	3 month LIBOR + 0.44%	**141**	-	139
HKD	100m	fixed rate notes	2014	3.40%	**18**	-	18
CHF	300m	fixed rate notes	2014	2.01%	**396**	-	-
JPY	3000m	fixed rate notes	2014	1.50%	**45**	-	-
USD	20m	floating rate notes	2014	3 month LIBOR +1.10%	**28**	-	-
HKD	100m	fixed rate notes	2014	3.03%	**18**	-	-
JPY	500m	fixed rate notes	2014	1.40%	**8**	-	-
USD	71m	floating rate notes	2014	3 month LIBOR 0.28%	**100**	-	-
USD	250m	floating rate notes	2015	3 month LIBOR + 0.90%	**352**	440	346
HKD	105m	fixed rate notes	2015	3.30%	**19**	-	-
					15,032	20,213	14,401
Issued by Samson Funding Limited							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
USD	350m	fixed rate notes[5]	2010	4.484%	-	666	516
USD	750m	fixed rate notes[5]	2053	5.36%	**1,149**	1,426	1,107
					1,149	2,092	1,623
Total bonds and notes					**18,004**	23,620	17,540
Included within bonds and notes is the following related party balance:							
Subsidiaries of the Australia and New Zealand Banking Group Limited					**2,209**	2,699	2,233

Bonds and notes issued by ANZ National (Int'l) Limited are guaranteed by ANZ National Bank Limited. Bonds and notes are unsecured and rank equally with other unsecured liabilities of the NZ Banking Group.

1. The interest rate payable on these notes is stepped as follows: Year 1 1 month LIBOR - 0.02%, Year 2 1 month LIBOR, Year 3 1 month LIBOR + 0.01%, Year 4 1 month LIBOR + 0.02% and Year 5 1 month LIBOR + 0.03%. The investors were able to elect to extend the maturity of the notes for a year on a monthly basis. These notes were originally for USD1.5 billion, but between 7 August 2007 and 6 March 2009, investors elected not to extend these bonds. As a result these bonds carry a fixed maturity as follows: 7 August 2008 USD 89 million; 5 September 2008 USD 1,232 million; 7 October 2008 USD 164 million; 5 December 2008 USD million; 7 May 2009 USD 1 million; and 5 March 2010 USD 8 million.
2. The interest rate payable on these notes is stepped as follows: Year 1 3 month LIBOR + 0.22%, Year 2 3 month LIBOR + 0.24% Year 3 3 month LIBOR + 0.26%, Year 4 3 month LIBOR + 0.28% and Year 5 3 month LIBOR + 0.29%. The investors were able to elect to extend the maturity of the notes for a year on a 3 monthly basis. On 10 June 2008 and 10 September 2008 and 10 December 2008, investors elected not to extend USD 686 million, USD 525 million and USD 789 million of bonds which has resulted in these bonds carrying a fixed maturity on 9 April 2009, 10 July 2009 and 9 October 2009 respectively.
3. These notes were issued to subsidiaries of the ANZ Group.
4. These notes are guaranteed by the NZ Banking Group and benefit from a supporting guarantee from the NZ Crown.
5. These notes were issued in two tranches of USD 350 million and USD 750 million by Samson Funding Limited on 26 November 2003. The notes are 'stapled' to preference shares issued by the Ultimate Parent Bank and may not be traded separately from them. They can be repaid on 15 January 2010 (USD 350 million) and 15 December 2013 (USD 750 million). The USD 350 million note was repaid on 15 January 2010. Interest was payable half yearly in arrears at a fixed rate of 4.484% p.a. (USD 350 million) and 5.36% p.a. (USD 750 million) with interest payments due 15 June and 15 December.

25. DUE FROM / (TO) RELATED PARTIES

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
ANZ National Bank Limited	-	-	-	**504**	204	341
ANZ Funds Pty Limited	**(1,766)**	(1,766)	(1,766)	-	-	-

ANZ Funds Pty Limited (Related Company)

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

26. LOAN CAPITAL

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
AUD 207,450,000 term subordinated floating rate loan	**-**	249	-	**-**	-	-
AUD 265,740,000 perpetual subordinated floating rate loan	**343**	321	324	**-**	-	-
AUD 186,100,000 term subordinated floating rate loan	**240**	225	227	**-**	-	-
AUD 43,767,507 term subordinated floating rate loan	**56**	53	53	**-**	-	-
AUD 169,520,000 term subordinated floating rate loan	**219**	205	207	**-**	-	-
NZD term subordinated fixed rate bonds	**950**	950	950	**-**	-	-
NZD perpetual subordinated bond	**835**	835	835	**-**	-	-
Total loan capital issued	**2,643**	2,838	2,596	**-**	-	-
Less loan capital instruments held by the NZ Banking Group	**(2)**	(3)	-	**-**	-	-
Total loan capital	**2,641**	2,835	2,596	**-**	-	-
Included within loan capital is the following related party balance:						
Australia and New Zealand Banking Group Limited (Ultimate Parent Bank)	**858**	1,053	811	**-**	-	-

AUD 207,450,000 loan
This loan was drawn down on 31 August 2004 and had an ultimate maturity date of 31 August 2014. On 31 August 2009 the Bank repaid the loan. All interest was payable half yearly in arrears, with interest payments due 28 February and 31 August. Interest was based on BBSW + 0.40% p.a. up until, and including, 31 August 2009.

AUD 265,740,000 loan
This loan was drawn down on 27 September 1996 and has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

AUD 186,100,000 loan
This loan was drawn down on 19 April 2005 with an ultimate maturity date of 20 April 2015. On 19 April 2010 the Bank repaid the loan. All interest was payable half yearly in arrears, with interest payments due 19 April and 19 October. Interest was based on BBSW + 0.32% p.a. to 19 April 2010.

AUD 43,767,507 loan
This loan was drawn down on 15 September 2006 with an ultimate maturity date of 15 September 2016. The Bank may elect to repay the loan on 15 September each year commencing from 2011 through to 2016. All interest is payable half yearly in arrears, with interest payments due 15 March and 15 September. Interest is based on BBSW + 0.29% p.a. to 15 September 2011 and increases to BBSW + 0.79% p.a. thereafter.

AUD 169,520,000 loan
This loan was drawn down on 17 September 2007 with an ultimate maturity date of 17 September 2017. The NZ Banking Group may elect to repay the loan on 17 September each year commencing from 2012 through to 2016. All interest is payable half yearly in arrears, with interest payments due 17 March and 17 September. Interest is based on BBSW + 0.68% p.a. to 17 September 2012 and increases to BBSW + 1.18% p.a. thereafter.

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

Term subordinated fixed rate bonds

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

As at 31 March 2010, these bonds carried an AA- rating by Standard & Poor's.

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

26. LOAN CAPITAL (Continued)

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

Perpetual subordinated bond

Issue date	*Amount $m*	*Coupon rate*	*1st Call date*	*2nd Call date*
18 April 2008	835	9.66%	18 April 2013	18 April 2018

The Bank may elect to redeem the bond 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 bond is not called at the First Call Date, the coupon rate will reset to the five year interest swap rate plus 2.00%. Should the bond not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 31 March 2010, this bond 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 Bank Limited 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 ANZ National Bank Limited 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. ANZ National Bank Limited has been granted a waiver from these rules on the conditions that the Bank's quarterly General Disclosure Statement ("GDS") is available on the NZ Banking Group's website, at any branch and at the NZX; that bondholders are advised by letter that copies of the GDS are available at the above locations; that all bondholders are notified on an ongoing basis, by way of a sentence included on the notification of interest payments, that the latest GDS is available for review at the above locations; and that a copy of the GDS is sent to the NZX on an ongoing basis.

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

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

27. SHARE CAPITAL AND HEAD OFFICE ACCOUNT

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
Issued share capital	**Number of Issued Shares**	Number of Issued Shares	Number of Issued Shares	**Number of Issued Shares**	Number of Issued Shares	Number of Issued Shares
Ordinary shares at beginning and end of the period	**381,655,112**	381,655,112	381,655,112	-	-	-
Redeemable preference shares at beginning of the period	**4,005,295,229**	3,210,066,601	3,210,066,601	-	-	-
Issue of redeemable preference shares during period	**-**	795,228,628	795,228,628	-	-	-
Redemption of redeemable preference shares during the period	**-**	-	-	-	-	-
Redeemable preference shares at end of the period	**4,005,295,229**	4,005,295,229	4,005,295,229	-	-	-
Total number of issued shares at end of the period	**4,386,950,341**	4,386,950,341	4,386,950,341	-	-	-

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
Paid in share capital & Head Office Account	**$m**	$m	$m	**$m**	$m	$m
Ordinary share capital at beginning and end of the period	**1,453**	1,453	1,453	**-**	-	-
Redeemable preference shares at beginning of the period	**4,960**	3,960	3,960	**-**	-	-
Redeemable preference shares issued during the period	**-**	1,000	1,000	**-**	-	-
	4,960	4,960	4,960	**-**	-	-
Paid in share capital at end of the period	**6,413**	6,413	6,413	**-**	-	-
Head Office Account	**11**	11	11	**11**	11	11
Total Capital & Head Office Account at end of the period	**6,424**	6,424	6,424	**11**	11	11

On 24 March 2009, the NZ Banking Group paid an ordinary dividend of $1 billion dividend to its parent company (being $1.43 per share). On the same day, the NZ Banking Group issued 795,228,628 redeemable preference shares to the value of $1 billion.

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on winding up of the Bank. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

28. CAPITAL ADEQUACY

OVERSEAS BANKING GROUP CAPITAL ADEQUACY RATIO

	Overseas Banking Group			Overseas Bank (Extended Licensed Entity)		
	Unaudited 31/03/2010 Basel II	Unaudited 31/03/2009 Basel II	Unaudited 30/09/2009 Basel II	**Unaudited 31/03/2010 Basel II**	Unaudited 31/03/2009 Basel II	Unaudited 30/09/2009 Basel II
Tier One Capital	**10.7%**	8.2%	10.6%	**11.9%**	9.0%	11.6%
Total Capital	**13.0%**	11.0%	13.7%	**13.7%**	11.5%	14.2%

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 equivalents.

The Overseas Banking Group has Advanced IRB accreditation under Basel II rules. The Overseas Banking Group met the requirements imposed by APRA as at 31 March 2010 and for the comparative periods shown.

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

RISK WEIGHTED CREDIT RISK EXPOSURES

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

Total Risk Weighted Exposures of the NZ Banking Group as at 31 March 2010 (unaudited):

On-balance sheet exposures	Principal amount	Risk weight	Risk weighted exposure
	$m		$m
Cash and short term claims on Government	4,140	0%	-
Long term claims on Government	3,226	10%	323
Claims on banks	5,608	20%	1,122
Claims on public sector entities	723	20%	145
Residential mortgages	53,669	50%	26,835
Other	44,525	100%	44,525
Non risk weighted assets	11,613	n/a	-
	123,504		72,948

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	1,778	100%	1,778	44%	776
Commitments with certain drawdown	566	100%	566	62%	349
Transaction related contingent items	977	50%	488	71%	349
Short term, self liquidating trade related contingencies	84	20%	17	101%	17
Other commitments to provide financial services which have an original maturity of 1 year or more	4,316	50%	2,158	100%	2,158
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	17,028	0%	-	n/a	-
Market related contracts [1]					
- Foreign exchange	133,001		5,914	21%	1,266
- Interest rate	494,909		8,582	23%	1,989
- Other	51		7	57%	4
	652,710		19,510		6,908

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

28. CAPITAL ADEQUACY (Continued)

Total Risk Weighted Exposures of the NZ Branch as at 31 March 2010 (unaudited):

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	404	20%	81
Claims on public sector entities	-	20%	-
Residential mortgages	10,089	50%	5,045
Other	36	100%	36
Non risk weighted assets	374	n/a	-
	10,903		5,161

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	36	50%	18	100%	18
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	-	0%	-	n/a	-
Market related contracts [1]					
- Foreign exchange	10,682		371	20%	74
- Interest rate	16,232		106	20%	21
- Other	-		-	0%	-
	26,950		495		113

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 for the NZ Banking Group as at 31 March 2010 (unaudited):

LVR range	Exposure Amount $m
0% - 80%	42,623
80% - 90%	6,370
Over 90%	5,370
	54,363

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

28. CAPITAL ADEQUACY (Continued)

MARKET RISK

The aggregate market risk exposures below have been calculated in accordance with the RBNZ document BS2B.

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

	NZ Banking Group					
	Implied risk weighted		Aggregate capital charge		Aggregate capital charge as a percentage of the Overseas Banking Group's Equity	
	As at $m	Peak $m	As at $m	Peak $m	As at %	Peak %
Unaudited 31/03/2010						
Interest rate risk	**4,486**	**4,486**	**359**	**359**	**1.1%**	**1.1%**
Foreign currency risk	**48**	**91**	**4**	**7**	**0.0%**	**0.0%**
Equity risk	**96**	**96**	**8**	**8**	**0.0%**	**0.0%**
	4,630		**371**			
Unaudited 31/03/2009						
Interest rate risk	3,519	4,018	282	321	0.8%	0.9%
Foreign currency risk	38	113	3	9	0.0%	0.0%
Equity risk	68	78	5	6	0.0%	0.0%
	3,625		290			
Audited 30/09/2009						
Interest rate risk	3,990	4,321	320	346	1.0%	1.1%
Foreign currency risk	5	301	-	24	0.0%	0.1%
Equity risk	69	82	6	7	0.0%	0.0%
	4,064		326			

29. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

Financial instruments are fundamental to the NZ Banking Group's business, constituting the core element of its operations. Accordingly, the risks associated with financial instruments are a significant component of the risks faced by the NZ Banking Group. Financial instruments create, modify or reduce the credit, market (including traded or fair value risks and non-traded or interest and foreign currency related risks) and liquidity risks of the NZ Banking Group's balance sheet. These risks and the NZ Banking Group's policies and objectives for managing such risks are outlined below. The NZ Banking Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the NZ Banking Group.

CREDIT RISK

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations. The NZ Banking Group assumes credit risk in a wide range of lending and other activities in diverse markets and many jurisdictions. The credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities around the world.

The NZ Banking Group has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of the entities within the NZ Banking Group are set by each Board and are implemented and monitored within a tiered structure of delegated authority, designed to oversee multiple facets of credit risk, including asset writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations.

A credit risk management framework exists to provide a structured and disciplined process to support those objectives. The integrity of the credit risk function is maintained by independent credit chains and is supported by comprehensive risk analysis, risk tools, monitoring processes and policies.

CREDIT RISK MANAGEMENT

Where appropriate the Group-wide credit risk management framework is applied to each entity across the NZ Banking Group with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by each Board. The framework focuses on policies, people, skills, vision, values, controls, risk concentrations and portfolio balance. It is supported by portfolio analysis and asset-writing strategies, which guide lending decisions and identify segments of the portfolio requiring attention. The effectiveness of the framework is monitored through a series of compliance and reporting processes.

29. FINANCIAL RISK MANAGEMENT (Continued)

An independent Risk Management function staffed by risk specialists assists with credit risk management across each entity as required. In addition to providing independent credit assessment on lending decisions, Risk Management also performs key roles in portfolio management by development and validation of credit risk measurement systems, loan asset quality reporting, and development of credit standards and policies.

The credit risk management framework is top down. Where required, the framework is defined firstly by the Overseas Banking Group Board establishing Vision and Values and secondly, by Credit Principles and Policies. The effectiveness of the credit risk management framework is validated through the compliance and monitoring processes.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support the entities and Business Units within the NZ Banking Group. All major Business Unit credit decisions require approval from both business writers and independent risk personnel.

Credit Risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent upon the level of risk. For the key operating entities within the NZ Banking Group credit risk policy and management is executed through the Chief Risk Officer who is responsible for various dedicated areas within the Risk Management division. A formal outsourcing agreement provides for credit risk functions to be provided to a number of NZ Banking Group entities by staff of ANZ National Bank Limited.

The credit risk review function within Internal Audit, either within Australia or New Zealand, also provides a further independent check mechanism to ensure the quality of credit decisions. This may include providing independent periodic checks on asset quality and compliance with the agreed standards and policies across the NZ Banking Group.

Country risk management

Some customer credit risks involve country risk, whereby actions or events at a national or international level could disrupt servicing of commitments. Country risk arises when payment or discharge of an obligation will, or could, involve the flow of funds from one country to another or involve transactions in a currency other than the domestic currency of the relevant country.

Country ratings are assigned to each country where the NZ Banking Group incurs country risk and have a direct bearing on the NZ Banking Group's risk appetite for each country. The country rating is determined through a defined methodology based around external ratings agencies' ratings and internal specialist opinion. It is also a key risk consideration in the use of capital pricing model for cross border flows.

The recording of country limits provides the NZ Banking Group with a means to identify and control country risk. Country limits ensure that there is a country-by-country ceiling on exposures that involve country risk. They are recorded by time to maturity and purpose of exposure, e.g. trade, markets, project finance. Country limits are managed centrally by the Overseas Bank, through a global country risk exposure management system managed by a specialist unit within Institutional Risk.

Portfolio stress testing

Stress testing is integral to strengthening the predictive approach to Risk Management and is a key component to managing risk appetite, asset writing strategies and business strategies. It creates greater understanding of impacts on financial performance through modelling relationships and sensitivities between geographic, industry and business unit exposures under a range of macro economic scenarios. Stress testing programs have been implemented within the key operating business of the NZ Banking Group.

The Overseas Bank has a dedicated stress testing team within Risk Management that assists business and risk executives in the NZ Banking Group to model and report on a range of scenarios and stress tests.

Portfolio analysis and reporting

Credit portfolios are actively monitored at each layer of the risk structure to ensure credit deterioration is quickly detected and mitigated through the implementation of remediation strategies.

Businesses incurring credit risk undertake regular and comprehensive analysis of their credit portfolios. Issue identification and adherence to performance benchmarks are reported to risk and business executives through a series of reporting processes, which include a monthly 'asset quality' reporting function closely supported and overseen by the NZ Banking Group Risk function ensuring an efficient and independent conduit exists to quickly identify and communicate emerging credit issues to NZ Banking Group executives and each Board.

29. FINANCIAL RISK MANAGEMENT (Continued)

Collateral management

ANZ Group-wide credit principles specify to lend only what the counterparty has the capacity and ability to repay. The entities within the NZ Banking Group set limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (i.e. interest and capital repayments). Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured. Credit policies for each entity set out the types of acceptable collateral, including:

- Cash;
- Mortgages over property;
- Charges over business assets, e.g. premises, stock and debtors;
- Charges over financial instruments, e.g. debt securities and equities in support of trading facilities; and
- Financial guarantees.

In the event of customer default, any loan security is usually held as mortgagee in possession while action is taken to realise it. Therefore the NZ Banking Group does not usually hold any real estate or other assets acquired through the enforcement of security.

The key operating entities within the NZ Banking Group use International Swaps and Derivatives Association ("ISDA") Master Agreements to document derivatives activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default occurs, all contracts with the counterparty are terminated and settled on a net basis. Further, it is preferred practice to include all products covered by the ISDA in the Credit Support Annex ("CSA"), in order to achieve further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate mark-to-market (positive or negative) of derivative trades between the two entities, to mitigate the market contingent counterparty risk inherent in the outstanding positions.

CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Where applicable, entities within the NZ Banking Group monitor lending portfolios to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks. Risk Management, Business Unit Executives and Senior Management monitor large exposure concentrations through a monthly list of top Corporate exposures. The ANZ Credit and Market Risk Committee (six monthly) and Board Risk Committee (annually) review a comprehensive list of single customer concentration limits and customers' adherence to these limits.

Analyses of financial assets by industry sector are based on Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes.

29. FINANCIAL RISK MANAGEMENT (Continued)

Concentrations of credit risk analysis:

The composition of financial instruments that give rise to credit risk, by industry and geography:

	NZ Banking Group						
Unaudited 31/03/2010	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments $m	Total $m
Industry							
Agriculture, forestry, fishing	26	4	114	20,024	238	1,727	22,133
Business services	2	-	13	819	10	610	1,454
Construction	-	-	2	961	11	784	1,758
Entertainment, leisure and tourism	-	-	30	1,028	12	463	1,533
Finance and insurance	2,189	4,776	8,163	1,383	31	1,488	18,030
Government and local authority[1]	2,196	3,320	273	1,425	36	815	8,065
Manufacturing	69	31	96	2,913	34	3,479	6,622
Personal lending	-	-	-	54,253	517	9,176	63,946
Property services	4	6	45	8,072	94	1,603	9,824
Retail trade	113	-	65	1,454	17	1,148	2,797
Transport and storage	9	12	80	1,589	19	620	2,329
Wholesale trade	8	-	9	1,487	17	1,493	3,014
Other[2]	5	67	197	1,330	18	1,343	2,960
	4,621	8,216	9,087	96,738	1,054	24,749	144,465
Individual provision for credit impairment	-	-	-	(608)	-	-	(608)
Collective provision for credit impairment	-	-	-	(867)	-	-	(867)
	-	-	-	(1,475)	-	-	(1,475)
Fair value hedge adjustment	-	-	-	426	-	-	426
Total financial assets	4,621	8,216	9,087	95,689	1,054	24,749	143,416
Geography							
New Zealand	4,308	5,695	2,488	93,951	1,054	24,749	132,245
Overseas	313	2,521	6,599	1,738	-	-	11,171
Total financial assets	4,621	8,216	9,087	95,689	1,054	24,749	143,416

1. Government and local authority includes exposures to government administration and defence, education and health and community services.
2. Other includes exposures to electricity, gas and water, communications, and personal services.

29. FINANCIAL RISK MANAGEMENT (Continued)

	NZ Banking Group						
Unaudited 31/03/2009	**Liquid assets and due from other financial institutions $m**	**Trading securities and available-for-sale assets $m**	**Derivative financial instruments $m**	**Net loans and advances $m**	**Other financial assets $m**	**Credit related commitments[3] $m**	**Total $m**
Industry							
Agriculture, forestry, fishing	214	-	225	18,708	146	1,854	21,147
Business services	-	-	9	1,484	12	517	2,022
Construction	-	-	5	901	7	532	1,445
Entertainment, leisure and tourism	-	30	47	976	8	379	1,440
Finance and insurance	7,711	2,380	13,505	1,618	13	1,568	26,795
Government and local authority[1]	2,670	680	486	1,099	9	996	5,940
Manufacturing	141	14	358	3,261	26	3,917	7,717
Personal lending	-	-	-	54,781	428	10,400	65,609
Property services	4	-	68	9,157	72	1,839	11,140
Retail trade	211	-	54	1,712	13	1,174	3,164
Transport and storage	23	2	77	1,448	11	859	2,420
Wholesale trade	22	-	16	1,634	13	1,237	2,922
Other[2]	25	56	222	1,463	11	1,504	3,281
	11,021	3,162	15,072	98,242	769	26,776	155,042
Individual provision for credit impairment	-	-	-	(269)	-	-	(269)
Collective provision for credit impairment	-	-	-	(610)	-	-	(610)
	-	-	-	(879)	-	-	(879)
Fair value hedge adjustment	-	-	-	1,127	-	-	1,127
Total financial assets	11,021	3,162	15,072	98,490	769	26,776	155,290
Geography							
New Zealand	10,120	1,678	4,162	97,291	769	26,776	140,796
Overseas	901	1,484	10,910	1,199	-	-	14,494
Total financial assets	11,021	3,162	15,072	98,490	769	26,776	155,290

	NZ Banking Group						
Audited 30/09/2009	**Liquid assets and due from other financial institutions $m**	**Trading securities and available-for-sale assets $m**	**Derivative financial instruments $m**	**Net loans and advances $m**	**Other financial assets $m**	**Credit related commitments $m**	**Total $m**
Industry							
Agriculture, forestry, fishing	48	-	261	20,328	209	1,555	22,401
Business services	2	-	13	857	9	638	1,519
Construction	-	-	3	848	9	853	1,713
Entertainment, leisure and tourism	-	48	28	1,011	10	487	1,584
Finance and insurance	4,606	4,191	10,064	1,297	13	1,371	21,542
Government and local authority[1]	2,412	1,392	175	1,412	15	802	6,208
Manufacturing	83	1	96	2,786	29	3,835	6,830
Personal lending	-	-	1	54,638	560	10,495	65,694
Property services	3	-	36	8,231	85	1,723	10,078
Retail trade	91	-	74	1,592	16	1,206	2,979
Transport and storage	6	8	80	1,561	16	686	2,357
Wholesale trade	19	-	6	1,706	18	1,036	2,785
Other[2]	6	39	178	1,357	14	1,341	2,935
	7,276	5,679	11,015	97,624	1,003	26,028	148,625
Individual provision for credit impairment	-	-	-	(477)	-	-	(477)
Collective provision for credit impairment	-	-	-	(804)	-	-	(804)
	-	-	-	(1,281)	-	-	(1,281)
Fair value hedge adjustment	-	-	-	681	-	-	681
Total financial assets	7,276	5,679	11,015	97,024	1,003	26,028	148,025
Geography							
New Zealand	6,213	3,272	2,951	95,549	1,003	26,028	135,016
Overseas	1,063	2,407	8,064	1,475	-	-	13,009
Total financial assets	7,276	5,679	11,015	97,024	1,003	26,028	148,025

1. Government and local authority includes exposures to government administration and defence, education and health and community services.
2. Other includes exposures to electricity, gas and water, communications, and personal services.
3. Credit related commitments comprise undrawn facilities, customer contingent liabilities, and letters of offer. Credit related commitments for March 2009 have been restated to be consistent with current periods treatment.

29. FINANCIAL RISK MANAGEMENT (Continued)

Unaudited 31/03/2010	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Due from related entities $m	Other financial assets $m	Credit related commitments $m	Total $m
	NZ Branch							
Industry								
Agriculture, forestry, fishing	-	-	-	-	-	-	-	-
Business services	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Entertainment, leisure and tourism	-	-	-	-	-	-	-	-
Finance and insurance	-	-	364	-	504	-	-	868
Government and local authority[1]	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Personal lending	-	-	-	10,038	-	-	36	10,074
Property services	-	-	-	-	-	-	-	-
Retail trade	-	-	-	-	-	-	-	-
Transport and storage	-	-	-	-	-	-	-	-
Wholesale trade	-	-	-	-	-	-	-	-
Other[2]	-	-	-	-	-	-	-	-
	-	-	364	10,038	504	-	36	10,942
Individual provision for credit impairment	-	-	-	(7)	-	-	-	(7)
Collective provision for credit impairment	-	-	-	(11)	-	-	-	(11)
	-	-	-	(18)	-	-	-	(18)
Fair value hedge adjustment	-	-	-	9	-	-	-	9
Total financial assets	-	-	364	10,029	504	-	36	10,933
Geography								
New Zealand	-	-	-	10,029	9	-	36	10,074
Overseas	-	-	364	-	495	-	-	859
Total financial assets	-	-	364	10,029	504	-	36	10,933

Unaudited 31/03/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Due from related entities $m	Other financial assets $m	Credit related commitments $m	Total $m
	NZ Branch							
Industry								
Agriculture, forestry, fishing	-	-	-	-	-	-	-	-
Business services	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Entertainment, leisure and tourism	-	-	-	-	-	-	-	-
Finance and insurance	-	-	30	-	204	-	-	234
Government and local authority[1]	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Personal lending	-	-	-	4,781	-	25	-	4,806
Property services	-	-	-	-	-	-	-	-
Retail trade	-	-	-	-	-	-	-	-
Transport and storage	-	-	-	-	-	-	-	-
Wholesale trade	-	-	-	-	-	-	-	-
Other[2]	-	-	-	-	-	-	-	-
	-	-	30	4,781	204	25	-	5,040
Individual provision for credit impairment	-	-	-	-	-	-	-	-
Collective provision for credit impairment	-	-	-	(3)	-	-	-	(3)
	-	-	-	(3)	-	-	-	(3)
Fair value hedge adjustment	-	-	-	(24)	-	-	-	(24)
Total financial assets	-	-	30	4,754	204	25	-	5,013
Geography								
New Zealand	-	-	30	4,754	204	25	-	5,013
Overseas	-	-	-	-	-	-	-	-
Total financial assets	-	-	30	4,754	204	25	-	5,013

1. Government and local authority includes exposures to government administration and defence, education and health and community services.
2. Other includes exposures to electricity, gas and water, communications, and personal services.

29. FINANCIAL RISK MANAGEMENT (Continued)

	NZ Branch							
Audited 30/09/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Due from related entities $m	Other financial assets $m	Credit related commitments $m	Total $m
Industry								
Agriculture, forestry, fishing	-	-	-	-	-	-	-	-
Business services	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Entertainment, leisure and tourism	-	-	-	-	-	-	-	-
Finance and insurance	-	-	34	-	341	-	-	375
Government and local authority[1]	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Personal lending	-	-	-	8,810	-	-	34	8,844
Property services	-	-	-	-	-	-	-	-
Retail trade	-	-	-	-	-	-	-	-
Transport and storage	-	-	-	-	-	-	-	-
Wholesale trade	-	-	-	-	-	-	-	-
Other[2]	-	-	-	-	-	-	-	-
	-	-	34	8,810	341	-	34	9,219
Individual provision for credit impairment	-	-	-	(3)	-	-	-	(3)
Collective provision for credit impairment	-	-	-	(6)	-	-	-	(6)
	-	-	-	(9)	-	-	-	(9)
Fair value hedge adjustment	-	-	-	(27)	-	-	-	(27)
Total financial assets	-	-	34	8,774	341	-	34	9,183
Geography								
New Zealand	-	-	-	8,774	341	-	34	9,149
Overseas	-	-	34	-	-	-	-	34
Total financial assets	-	-	34	8,774	341	-	34	9,183

1. Government and local authority includes exposures to government administration and defence, education and health and community services.
2. Other includes exposures to electricity, gas and water, communications, and personal services.

29. FINANCIAL RISK MANAGEMENT (Continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount that the NZ Banking Group would have to pay if the contingency is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table presents the maximum exposure to credit risk of on and off-balance sheet financial instruments before taking account of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation,* and after deductions such as provisions for credit impairment. The exposure is classified into summarised Basel II asset classes.

	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total maximum exposure to credit risk	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total maximum exposure to credit risk
Unaudited 31/03/2010	$m	$m	$m	$m	$m	$m	$m	$m
On and off-balance sheet positions								
Liquid assets	-	-	2,520	2,520	-	-	-	-
Due from other financial institutions	-	-	2,101	2,101	-	-	-	-
Trading securities	-	-	6,366	6,366	-	-	-	-
Derivative financial instruments	-	-	9,087	9,087	-	-	364	364
Available-for-sale assets	-	-	1,850	1,850	-	-	-	-
Net loans and advances	50,344	3,916	41,729	95,989	10,029	-	-	10,029
Due from related entities	-	-	-	-	-	-	504	504
Investments relating to insurance busines	-	-	38	38	-	-	-	-
Other financial assets	-	-	1,016	1,016	-	-	-	-
Credit related commitments	5,399	4,554	14,796	24,749	36	-	-	36
Total exposure to credit risk	55,743	8,470	79,503	143,716	10,065	-	868	10,933
Unaudited 31/03/2009								
On and off-balance sheet positions								
Liquid assets	-	-	3,390	3,390	-	-	-	-
Due from other financial institutions	-	-	7,631	7,631	-	-	-	-
Trading securities	-	-	2,565	2,565	-	-	-	-
Derivative financial instruments	-	-	15,072	15,072	-	-	30	30
Available-for-sale assets	-	-	597	597	-	-	-	-
Net loans and advances	50,824	5,172	42,494	98,490	4,712	-	42	4,754
Due from subsidiary companies	-	-	-	-	-	-	204	204
Other financial assets	-	-	769	769	-	-	25	25
Credit related commitments	5,666	5,115	15,995	26,776	-	-	-	-
Total exposure to credit risk	56,490	10,287	88,513	155,290	4,712	-	301	5,013
Audited 30/09/2009								
On and off-balance sheet positions								
Liquid assets	-	-	2,762	2,762	-	-	-	-
Due from other financial institutions	-	-	4,514	4,514	-	-	-	-
Trading securities	-	-	4,166	4,166	-	-	-	-
Derivative financial instruments	-	-	11,015	11,015	-	-	34	34
Available-for-sale assets	-	-	1,513	1,513	-	-	-	-
Net loans and advances	51,562	4,456	41,006	97,024	8,774	-	-	8,774
Due from subsidiary companies	-	-	-	-	-	-	341	341
Other financial assets	-	-	1,003	1,003	-	-	-	-
Credit related commitments	5,726	4,769	15,533	26,028	34	-	-	34
Total exposure to credit risk	57,288	9,225	81,512	148,025	8,808	-	375	9,183

4. Includes corporates, sovereigns and banks.

29. FINANCIAL RISK MANAGEMENT (Continued)

CREDIT QUALITY

A core component of the NZ Banking Group's credit risk management capability is the risk grading framework used across all major Business Units. A set of risk grading principles and policies are supported by a complementary risk grading methodology. Pronouncements by the International Basel Committee on Banking Supervision have been encapsulated in these principles and policies including governance, validation and modelling requirements.

Where applicable, credit risk grade profile changes dynamically through new counterparty lending and/or existing counterparty movements in either risk or volume. All counterparty risk grades are subject to frequent review, including statistical and behavioural reviews in consumer and small business segments, and individual counterparty reviews in segments with larger single name borrowers.

Impairment and past due financial assets

Loans are classified as either performing or impaired. Impaired assets are credit exposures where: there is doubt as to whether the full contractual amount (including interest) will be received; a material credit obligation is 90 days past due but not well secured; they are portfolio managed and can be held for up to 180 days past due; concessional terms have been provided due to the financial difficulties of the customer. Where applicable the policies relating to impaired assets conform to RBNZ's guidelines.

An exposure is classified as past due but not impaired (less than 90 days) where the value of collateral is sufficient to repay both the principal debt and all other potential interest and there is no concern as to the creditworthiness of the counterparty in question.

The past due but not impaired (over 90 days) classification applies where contractual payments are past due by 90 days or more, or where the facility remains outside of contractual arrangements for 90 or more consecutive days, but the NZ Banking Group believes that impairment is not appropriate on the basis of the level of security/collateral available, or the facility is portfolio managed.

The provision for credit impairment represents management's best estimate of the losses incurred in the loan portfolio at balance date based on its experienced judgement.

Distribution of gross loans and advances assets by credit quality

The credit quality of the portfolio of loans and advances is assessed by reference to the Banking Group's risk grading principles and policies supported by a complementary risk grading methodology. The following table presents an analysis of gross loans and advances by summarised Basel II asset class into exposures neither past due nor impaired, past due but not impaired and impaired.

	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Neither past due nor impaired	**48,367**	**3,838**	**40,132**	**92,338**	**9,690**	**-**		**9,690**
Past due but not impaired (1 to 89 days)	**1,519**	**313**	**701**	**2,533**	**293**	**-**	**-**	**293**
Past due but not impaired (over 90 days)	**200**	**48**	**121**	**369**	**18**	**-**	**-**	**18**
Impaired	**476**	**95**	**1,165**	**1,736**	**24**	**-**	**-**	**24**
	50,562	**4,294**	**42,119**	**96,976**	**10,025**	**-**	**-**	**10,025**
Unaudited 31/03/2009								
Neither past due nor impaired	47,248	4,723	41,917	93,888	4,674	-	4	4,678
Past due but not impaired (1 to 89 days)	1,993	501	959	3,453	95	-	-	95
Past due but not impaired (over 90 days)	406	71	70	547	-	-	-	-
Impaired [5]	200	56	353	609	-	-	-	-
	49,847	5,351	43,299	98,497	4,769	-	4	4,773
Audited 30/09/2009								
Neither past due nor impaired	48,490	3,822	41,493	93,805	8,542	-	-	8,542
Past due but not impaired (1 to 89 days)	1,445	315	662	2,422	232	-	-	232
Past due but not impaired (over 90 days)	276	59	111	446	11	-	-	11
Impaired	387	61	740	1,188	10	-	-	10
	50,598	4,257	43,007	97,861	8,795	-	-	8,795

4. Includes corporates, sovereigns and banks.
5. Excluding restructures assets

29. FINANCIAL RISK MANAGEMENT (Continued)

Credit quality of gross loans and advances neither past due nor impaired

Where applicable, the credit quality of financial assets is assessed by the entities within the NZ Banking Group using internal ratings which aim to reflect the relative ability of counterparties to fulfil, on time, their credit-related obligations, and is based on their current probability of default.

Internal rating

Strong risk rating

Corporate customers demonstrating superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. Retail customers with low expected loss. This rating band broadly corresponds to ratings "Aaa" to "Ba1" and "AAA" to "BB+" of Moody's Investors Service and Standard & Poor's respectively.

Satisfactory risk rating

Corporate customers consistently demonstrating sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings. Retail customers with moderate expected loss. This rating band broadly corresponds to ratings "Ba2" to "Ba3" and "BB" to "BB-" of Moody's Investors Service and Standard & Poor's respectively.

Substandard but not past due or impaired

Corporate customers demonstrating some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. Retail customers with higher expected loss. This rating band broadly corresponds to ratings “B1” to “Caa” and “B+” to “CCC” of Moody's Investors Service and Standard & Poor's respectively.

Movements in the rating categories below between balance dates are due to both changes in the underlying internal ratings applied to customers and to new loans written or loans rolling off.

The following table presents an analysis of gross loans and advances neither past due nor impaired by the above internal ratings:

	NZ Banking Group				NZ Branch			
	Retail mortgages[5]	Other retail exposures	Corporate exposures[4]	Total	Retail mortgages[5]	Other retail exposures	Corporate exposures[4]	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Strong risk rating	**36,845**	**1,189**	**16,384**	**54,418**	**7,550**	**-**	**-**	**7,550**
Satisfactory risk rating	**9,992**	**2,268**	**19,710**	**31,970**	**1,856**	**-**	**-**	**1,856**
Substandard but not past due or impaired	**1,531**	**381**	**4,038**	**5,950**	**284**	**-**	**-**	**284**
	48,367	**3,838**	**40,132**	**92,338**	**9,690**	**-**	**-**	**9,690**
Unaudited 31/03/2009								
Strong risk rating	43,983	1,687	19,053	64,723	4,257	-	-	4,257
Satisfactory risk rating	2,525	2,745	19,793	25,063	380	-	3	383
Substandard but not past due or impaired	740	291	3,071	4,102	37	-	1	38
	47,248	4,723	41,917	93,888	4,674	-	4	4,678
Audited 30/09/2009								
Strong risk rating	44,650	1,459	17,993	64,102	7,924	-	-	7,924
Satisfactory risk rating	3,156	2,010	19,078	24,244	510	-	-	510
Substandard but not past due or impaired	684	353	4,422	5,459	108	-	-	108
	48,490	3,822	41,493	93,805	8,542	-	-	8,542

4. Includes corporates, sovereigns and banks.
5. Since September 2009, the NZ Banking Group has agreed new mortgage pooling methodologies with RBNZ and have also implemented new spot PD estimates which take account of more recent performance data. The change in the Retail Mortgage bands between the periods reflects these modelling changes.

Credit quality of financial assets that are past due but not impaired

Ageing analysis of past due loans is used by the NZ Banking Group to measure and manage the retail portfolio's credit quality. Financial assets that are past due but not impaired include those:

- Assessed, approved and managed on a portfolio basis within a centralised environment (for example, credit cards and personal loans);
- Held on a productive basis until they are 180 days past due; and
- Managed on an individual basis.

A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the fair value of associated security is sufficient to ensure that the NZ Banking Group will recover the entire amount owing over the life of the facility and there is reasonable assurance that collection efforts will result in payment of the amounts due in a timely manner.

29. FINANCIAL RISK MANAGEMENT (Continued)

The following table presents an ageing analysis of past due loans that are not impaired:

	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
1 to 5 days	**344**	**100**	**449**	**893**	**69**	**-**	**-**	**69**
6 to 29 days	**764**	**142**	**133**	**1,039**	**157**	**-**	**-**	**157**
30 to 59 days	**319**	**47**	**85**	**451**	**53**	**-**	**-**	**53**
60 to 89 days	**92**	**24**	**34**	**150**	**14**	**-**	**-**	**14**
90 days or over	**200**	**48**	**121**	**369**	**18**	**-**	**-**	**18**
	1,719	**361**	**822**	**2,902**	**311**	**-**	**-**	**311**
Unaudited 31/03/2009								
1 to 5 days	527	145	605	1,277	17	-	-	17
6 to 29 days	863	250	162	1,275	51	-	-	51
30 to 59 days	459	71	129	659	24	-	-	24
60 to 89 days	144	35	63	242	3	-	-	3
90 days or over	406	71	70	547	-	-	-	-
	2,399	572	1,029	4,000	95	-	-	95
Audited 30/09/2009								
1 to 5 days	310	104	397	811	40	-	-	40
6 to 29 days	740	136	122	998	154	-	-	154
30 to 59 days	264	49	71	384	27	-	-	27
60 to 89 days	131	26	72	229	11	-	-	11
90 days or over	276	59	111	446	11	-	-	11
	1,721	374	773	2,868	243	-	-	243

Credit quality of financial assets that are individually impaired

The key operating entities within the NZ Banking Group regularly review their portfolios and monitors adherence to contractual terms. When doubt arises as to the collectability of a credit facility, the financial asset is classified and reported as individually impaired and an individual provision is allocated against it. The following table presents an analysis of individually impaired assets, undrawn facilities with impaired customers and provision for credit impairment by summarised Basel II asset class:

	NZ Banking Group				NZ Branch			
	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total	Retail mortgages	Other retail exposures	Corporate exposures[4]	Total
Unaudited 31/03/2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Impaired financial assets	**476**	**95**	**1,165**	**1,736**	**24**	**-**	**-**	**24**
Undrawn facilities with impaired customers	**-**	**-**	**100**	**100**	**-**	**-**	**-**	**-**
Individual provision balance	**213**	**44**	**351**	**608**	**7**	**-**	**-**	**7**
Net impaired financial assets	**263**	**51**	**914**	**1,228**	**17**	**-**	**-**	**17**
Collective provision balance	**128**	**161**	**578**	**867**	**11**	**-**	**-**	**11**
Unaudited 31/03/2009								
Impaired financial assets[5]	200	56	353	609	-	-	-	-
Undrawn facilities with impaired customers	-	-	11	11	-	-	-	-
Individual provision balance	54	31	184	269	-	-	-	-
Net impaired financial assets	146	25	180	351	-	-	-	-
Collective provision balance	96	148	366	610	3	-	-	3
Audited 30/09/2009								
Impaired financial assets	387	61	740	1,188	10	-	-	10
Undrawn facilities with impaired customers	-	-	32	32	-	-	-	-
Individual provision balance	156	40	281	477	3	-	-	3
Net impaired financial assets	231	21	491	743	7	-	-	7
Collective provision balance	127	159	518	804	6	-	-	6

Security held by the NZ Banking Group in respect of individually impaired financial assets, both drawn and undrawn, in the analysis above has an estimated fair value of $1,228 million (31/03/2009 $351 million 30/09/2009 $743 million).

Security held by the NZ Branch in respect of individually impaired financial assets, both drawn and undrawn, in the analysis above has an estimated fair value of $17 million (31/03/2009 $nil million; 30/09/2009 $7 million).

4. Includes corporates, sovereigns and banks.
5. Excluding restructured assets

29. FINANCIAL RISK MANAGEMENT (Continued)

Estimated value of collateral

The table below discloses the estimated value of collateral and other charges related to financial assets that are individually impaired. For the purposes of this disclosure, where security held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

NZ Banking Group

Unaudited 31/03/2010	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	710	-	-	710
Other	-	-	-	440	-	78	518
Total value of collateral	-	-	-	1,150	-	78	1,228
Credit exposure	-	-	-	1,736	-	100	1,836
Unsecured portion of credit	-	-	-	586	-	22	608

Unaudited 31/03/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	182	-	-	182
Other	-	-	-	157	-	11	168
Total value of collateral	-	-	-	339	-	11	350
Credit exposure	-	-	-	608	-	11	619
Unsecured portion of credit	-	-	-	269	-	-	269

Audited 30/09/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	488	-	-	488
Other	-	-	-	223	-	32	255
Total value of collateral	-	-	-	711	-	32	743
Credit exposure	-	-	-	1,188	-	32	1,220
Unsecured portion of credit	-	-	-	477	-	-	477

NZ Branch

Unaudited 31/03/2010	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	17	-	-	17
Other	-	-	-	-	-	-	-
Total value of collateral	-	-	-	17	-	-	17
Credit exposure	-	-	-	24	-	-	24
Unsecured portion of credit	-	-	-	7	-	-	7

Unaudited 31/03/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total value of collateral	-	-	-	-	-	-	-
Credit exposure	-	-	-	-	-	-	-
Unsecured portion of credit	-	-	-	-	-	-	-

Audited 30/09/2009	Liquid assets and due from other financial institutions $m	Trading securities and available-for-sale assets $m	Derivative financial instruments $m	Net loans and advances $m	Other financial assets $m	Credit related commitments[5] $m	Total $m
Cash and securities	-	-	-	-	-	-	-
Real estate	-	-	-	7	-	-	7
Other	-	-	-	-	-	-	-
Total value of collateral	-	-	-	7	-	-	7
Credit exposure	-	-	-	10	-	-	10
Unsecured portion of credit	-	-	-	3	-	-	3

5. Credit related commitments comprise undrawn facilities, customer contingent liabilities, and letters of offer.

29. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK

Market risk is the risk to the NZ Banking Group's earnings arising from changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. Market risk arises when changes in market rates, prices and volatilities lead to a decline in the value of assets and liabilities, including financial derivatives. Market risk is generated through both trading activities and the interest rate risk inherent in the banking book.

The NZ Banking Group conducts trading operations in interest rates, foreign exchange, commodities and debt securities. Trading operations largely focus on supporting customer hedging and investing activities, rather than outright proprietary trading. Consequently, the Board has set a medium market risk appetite for the Markets business which is reflected in the low/moderate market risk limit framework.

The NZ Banking Group has a detailed risk management and control framework to support its trading and balance sheet activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios. This approach and related analysis identifies the range of possible outcomes that can be expected over a given period of time, establishes the relative likelihood of those outcomes and allocates an appropriate amount of capital to support these activities.

The market risk management and policy control framework applicable to the entities comprising the NZ Banking Group has been set by the Board and Risk Committee of either the Bank or the Ultimate Parent Bank, as appropriate. Likewise oversight and monitoring of material market risk exposures of the NZ Banking Group is undertaken by the Market Risk functions of the Bank and also the Ultimate Parent Bank. Throughout this document, references to the risk management of the operations within the entities comprising the NZ Banking Group, implicitly involves oversight by both related entities.

Market risk management and control responsibilities

NZ Banking Group-wide responsibility for the strategies and policies relating to the management of market risk lies with each Board Risk Committee. Responsibility for day to day management of both market risks and compliance with market risk policy is delegated by the Risk Committee to the ANZ Credit and Market Risk Committee ("CMRC") and the Bank Asset & Liability Committee ("ALCO"). The CMRC, chaired by the ANZ Group Chief Risk Officer, is responsible for traded market risk, while the ALCO, chaired by the NZ Group Chief Executive Officer, is responsible for non-traded market risk (or balance sheet risk). All committees receive regular reporting on the range of trading and balance sheet market risks incurred.

Within overall strategies and policies, the control of market risk is the joint responsibility of Business Units and Risk Management, with the delegation of market risk limits from each Board and CMRC allocated to both Risk Management and the Business Units.

The management of market risk is supported by a comprehensive limit and policy framework to control the amount of risk that the NZ Banking Group will accept. Market risk limits are allocated at various levels and are reported and monitored by Market Risk on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes (e.g. interest rates, foreign exchange), risk factors (e.g. interest rates, volatilities) and P&L limits (to monitor and manage the performance of the trading portfolios).

29. FINANCIAL RISK MANAGEMENT (Continued)

These risks are monitored daily against a comprehensive limit framework that includes Value at Risk ("VAR"), aggregate market position and sensitivity, product and geographic thresholds. To facilitate the management, control, measurements and reporting of market risk, the NZ Banking Group has grouped market risk into two broad categories:

a. Traded market risk

This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. They arise in trading transactions where the NZ Banking Group acts as principal with customers, financial exchanges or interbank counterparties. The principal risk categories monitored are:

- *Currency risk* is the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.
- *Interest rate risk* is the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities.
- *Credit spread risk* is the potential loss arising from a change in value of an instrument due to a movement of its margin or spread relative to a bench mark.

b. Non-traded market risk (or balance sheet risk)

This comprises the management of non-traded interest rate risk, liquidity, and the risk to capital and earnings as a result of foreign exchange rate movements.

Some instruments do not fall into either category but also expose the NZ Banking Group to market risk. These include equity securities classified as available-for-sale. Regular reviews are performed to substantiate valuation of the investments within this portfolio.

The traded market risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a VaR framework and detailed control limits. In all trading areas the NZ Banking Group has implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and 'stress test' trading portfolios. The ALCO's of both the Bank and the ANZ Banking Group provide monthly oversight of market risk.

The Bank's Chief Risk Officer is responsible for daily review and oversight of traded market risk reports via a service level agreement with the Ultimate Parent Bank. The Chief Risk Officers have the authority for instructing the business to close exposures and withdraw limits where appropriate.

Value at Risk ("VaR") measure

A key measure of market risk is VaR. VaR is a statistical estimate of the likely daily loss and is based on historical market movements. VaR calculations and limits are prepared separately for ANZ National Bank Limited and the NZ Branch.

The confidence level is such that there is 97.5% or 99% probability that the loss will not exceed the VaR estimate on any given day. Conversely there is a 2.5% or 1% probability of the decrease in market value exceeding the VaR estimate on any given day. The 99% confidence level encompasses a wider range of potential outcomes.

The NZ Banking Group's standard VaR approach for both traded and non-traded risk is historical simulation. The NZ Banking Group calculates VaR using historical changes in market rates and prices over the previous 500 business days. Traded and Non-Traded VaR is calculated using a one-day holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the NZ Banking Group could experience from an extreme market event. As a result of this limitation, the NZ Banking Group utilises a number of other risk measures (e.g. stress testing) and associated detailed control limits to measure and manage market risk.

Traded and non-traded market risks are considered separately below.

29. FINANCIAL RISK MANAGEMENT (Continued)

Traded market risks

Trading activities are focused on customer trading, distribution and underwriting of a range of securities and derivative instruments. The principal activities include foreign exchange, interest rate, and debt markets. These activities are managed on a global product basis.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for the NZ Banking Group.

	NZ Banking Group Value at risk at 97.5% confidence				NZ Banking Group Value at risk at 99% confidence			
	As at $m	High for period $m	Low for period $m	Average for period $m	As at $m	High for period $m	Low for period $m	Average for period $m
Unaudited 31/03/2010								
Foreign exchange risk	**0.5**	**1.3**	**0.2**	**0.6**	**0.7**	**1.9**	**0.3**	**0.8**
Interest rate risk	**2.9**	**3.6**	**1.7**	**2.7**	**4.2**	**5.6**	**2.3**	**3.9**
Credit spread risk	**1.2**	**1.2**	**0.3**	**0.5**	**1.6**	**1.6**	**0.4**	**0.7**
Diversification benefit	**(1.6)**	**n/a**	**n/a**	**(1.0)**	**(2.6)**	**n/a**	**n/a**	**(1.4)**
Total VaR	**3.0**	**3.7**	**1.5**	**2.7**	**3.9**	**5.9**	**2.1**	**4.0**
Unaudited 31/03/2009								
Foreign exchange risk	0.5	1.4	0.2	0.5	0.8	1.9	0.3	0.7
Interest rate risk	2.4	2.8	1.1	1.9	2.8	4.3	1.7	2.9
Credit spread risk	0.4	0.4	0.2	0.3	0.6	0.6	0.4	0.5
Diversification benefit	(1.0)	n/a	n/a	(0.8)	(1.4)	n/a	n/a	(1.2)
Total VaR	2.3	3.4	1.1	1.9	2.8	4.4	1.7	2.9
Audited 30/09/2009								
Foreign exchange risk	0.4	1.4	0.2	0.5	0.6	1.9	0.3	0.7
Interest rate risk	2.6	3.0	1.1	2.0	3.5	4.9	1.7	3.0
Credit spread risk	0.4	0.5	0.2	0.3	0.6	0.8	0.2	0.5
Diversification benefit	(0.8)	n/a	n/a	(0.8)	(1.2)	n/a	n/a	(1.2)
Total VaR	2.6	3.4	1.1	2.0	3.5	4.6	1.7	3.0

VaR is calculated separately for foreign exchange and for interest rate/debt markets businesses as well as for the overall trading activities of each relevant entity within the NZ Banking Group. The diversification benefit reflects the historical correlation between these products.

To supplement the VaR methodology, the NZ Banking Group applies a wide range of stress tests, both on individual portfolios and for the overall trading activities of each relevant entity within the NZ Banking Group. The NZ Banking Group's stress-testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures of the NZ Banking Group.

Non-traded market risks (balance sheet risk)

The principal objectives of balance sheet management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to manage the market value of the NZ Banking Group's capital. Liquidity risk is dealt with later in the next section.

Interest rate risk

The objective of balance sheet interest rate risk management is to mitigate the negative impact of movements in wholesale interest rates on the earnings of the NZ Banking Group's banking book. Non-traded interest rate risk relates to the potential adverse impact to earnings principally from changes in swap market interest rates. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

As part of normal business activity the NZ Banking Group has additional risks from fixed rate mortgage prepayments and basis risk where:

- *Prepayment risk* is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to the NZ Banking Group of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation.
- *Basis risk* is the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing. This is managed through active review of product margins.

Non-traded interest rate risk is managed to both value and earnings at risk limits. Interest rate risk is reported using three measures: VaR; scenario analysis (to a 1% shock); and interest rate sensitivity gap. This treatment excludes the effect of prepayment and basis risk.

29. FINANCIAL RISK MANAGEMENT (Continued)

a) VaR non-traded interest rate risk

Below are aggregate VaR figures covering non-traded interest rate risk.

	NZ Banking Group			
Unaudited 31/03/2010	**As at $m**	**High for period $m**	**Low for period $m**	**Average for period $m**
Value at risk at 97.5% confidence	**20.1**	**25.0**	**19.9**	**21.9**
Unaudited 31/03/2009				
Value at risk at 97.5% confidence	21.0	21.0	12.4	14.6
Audited 30/09/2009				
Value at risk at 97.5% confidence	22.4	22.9	18.9	20.9

To supplement the VaR methodology, the NZ Banking Group applies a wide range of stress tests, both on individual portfolios and for the overall trading activities of each material entity within the NZ Banking Group level. The NZ Banking Group's stress-testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures of the NZ Banking Group.

b) Scenario analysis – A 1% shock on the next 12 months' net interest income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the succeeding 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and comparative periods – expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	NZ Banking Group		
	Unaudited 31/03/2010	Unaudited 31/03/2009	Audited 30/09/2009
Impact of 1% Rate Shock			
As at	**1.4%**	0.1%	0.2%
Maximum exposure	**1.6%**	0.7%	0.6%
Minimum exposure	**0.1%**	0.0%	-0.1%
Average exposure (in absolute terms)	**0.6%**	0.3%	0.3%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. For relevant entities within the NZ Banking Group, quantification of the potential variation in future net interest income as a result of these repricing mismatches is performed each month using a static gap model.

The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at the NZ Banking Group's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

A separate balance sheet simulation process supplements the static gap information. This allows the net interest income outcomes of a number of different scenarios – with different market interest rate environments and future balance sheet structures – to be identified. This better enables the NZ Banking Group to quantify the interest rate risks associated with the balance sheet and to formulate strategies to manage current and future risk profiles.

Interest rate sensitivity gap

The interest rate sensitivity gap analysis provides information about the NZ Banking Group's exposure to interest rate risk.

29. FINANCIAL RISK MANAGEMENT (Continued)

Repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the NZ Banking Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

The majority of the NZ Banking Group's loan business is conducted domestically in New Zealand. The majority of retail deposits are also raised in New Zealand but are either fixed or floating in nature. The mix of repricing maturities in this book is influenced by the underlying financial needs of customers.

The NZ Banking Group's offshore operations are wholesale in nature and are able to minimise interest rate sensitivity through closely matching the maturities of loans and deposits. Given both the size and nature of this business, the interest rate sensitivity of this balance sheet contributes little to the aggregate risk exposure, which is primarily a reflection of the positions in New Zealand.

A combination of off-balance sheet instruments and pricing initiatives is used in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's interest rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by NZ Banking Group policy.

The following tables represent the interest rate sensitivity of the NZ Banking Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

	NZ Banking Group						
Unaudited 31/03/2010	Total $m	Less than 3 months $m	3 to 6 months $m	6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
Assets							
Liquid assets	2,520	2,295	-	-	-	-	225
Due from other financial institutions	2,101	2,018	-	47	-	-	36
Trading securities	6,366	430	389	230	3,877	1,440	-
Derivative financial instruments	9,087	-	-	-	-	-	9,087
Available-for-sale assets	1,850	948	729	33	29	11	100
Net loans and advances	95,689	55,243	8,350	10,970	20,837	50	239
Due from Parent	-		-	-	-	-	-
Other financial assets and investments related t	1,054	25	-	-	7	-	1,022
Total financial assets	118,667	60,959	9,468	11,280	24,750	1,501	10,709
Non-financial assets	4,837	-	-	-	-	-	4,837
Total assets	123,504	60,959	9,468	11,280	24,750	1,501	15,546
Liabilities							
Due to other financial institutions	11,941	11,814	7	-	70	50	-
Deposits and other borrowings	70,636	47,116	9,338	6,785	2,502	-	4,895
Derivative financial instruments	9,109	-	-	-	-	-	9,109
Payables and other financial liabilities	1,283	-	-	-	-	-	1,283
Bonds and notes	18,004	8,194	201	150	9,459	-	-
Term funding	1,766	1,766	-	-	-	-	-
Loan capital	2,641	240	618	-	1,783	-	-
Total financial liabilities	115,380	69,130	10,164	6,935	13,814	50	15,287
Non-financial liabilities	739	-	-	-	-	-	739
Equity	7,385	-	-	-	-	-	7,385
Total liabilities and equity	123,504	69,130	10,164	6,935	13,814	50	23,411
On-balance sheet interest sensitivity gap	-	(8,171)	(696)	4,345	10,936	1,451	(7,865)
Hedging instruments	-	8,612	(5,360)	(1,439)	(926)	(888)	-
Interest sensitivity gap - net	-	441	(6,056)	2,906	10,010	563	(7,865)
Interest sensitivity gap - cumulative	-	441	(5,615)	(2,709)	7,301	7,863	-

29. FINANCIAL RISK MANAGEMENT (Continued)

Unaudited 31/03/2009	Total $m	Less than 3 months $m	3 to 6 months $m	6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
	NZ Banking Group						
Assets							
Liquid assets	3,390	3,201	-	-	-	-	189
Due from other financial institutions	7,631	3,364	2,000	300	92	-	1,875
Trading securities	2,565	511	384	5	1,497	168	-
Derivative financial instruments	15,072	-	-	-	-	-	15,072
Available-for-sale assets	597	-	395	121	10	-	71
Net loans and advances	98,490	53,225	7,565	11,759	26,157	57	(273)
Other financial assets	769	-	-	-	-	-	769
Total financial assets	128,514	60,301	10,344	12,185	27,756	225	17,703
Non-financial assets	4,458	-	-	-	-	-	4,458
Total assets	132,972	60,301	10,344	12,185	27,756	225	22,161
Liabilities							
Due to other financial institutions	8,911	6,627	-	1,805	408	25	46
Deposits and other borrowings	72,760	51,135	8,349	6,544	2,484	-	4,248
Derivative financial instruments	13,080	-	-	-	-	-	13,080
Payables and other financial liabilities	1,606	220	92	-	85	6	1,203
Bonds and notes	23,620	15,034	-	616	7,735	235	-
Term funding	1,766	1,766	-	-	-	-	-
Loan capital	2,835	225	828	-	1,782	-	-
Total financial liabilities	124,578	75,007	9,269	8,965	12,494	266	18,577
Non-financial liabilities	877	-	-	-	-	-	877
Equity	7,517	-	-	-	-	-	7,517
Total liabilities and equity	132,972	75,007	9,269	8,965	12,494	266	26,971
On-balance sheet interest sensitivity gap	-	(14,706)	1,075	3,220	15,262	(41)	(4,810)
Hedging instruments	-	7,057	6,875	(9,586)	(3,922)	(424)	-
Interest sensitivity gap - net	-	(7,649)	7,950	(6,366)	11,340	(465)	(4,810)
Interest sensitivity gap - cumulative	-	(7,649)	301	(6,065)	5,275	4,810	-

Audited 30/09/2009	Total $m	Less than 3 months $m	3 to 6 months $m	6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
	NZ Banking Group						
Assets							
Liquid assets	2,762	2,596	-	-	-	-	166
Due from other financial institutions	4,514	4,013	300	-	63	-	138
Trading securities	4,166	429	66	418	2,575	678	-
Derivative financial instruments	11,015	-	-	-	-	-	11,015
Available-for-sale assets	1,513	149	1,286	-	9	-	69
Net loans and advances	97,024	50,539	7,668	14,024	24,831	55	(93)
Other financial assets	1,003	-	-	-	-	-	1,003
Total financial assets	121,997	57,726	9,320	14,442	27,478	733	12,298
Non-financial assets	4,317	-	-	-	-	-	4,317
Total assets	126,314	57,726	9,320	14,442	27,478	733	16,615
Liabilities							
Due to other financial institutions	12,514	11,533	550	277	22	-	132
Deposits and other borrowings	71,764	45,087	14,019	5,497	2,788	-	4,373
Derivative financial instruments	10,974	-	-	-	-	-	10,974
Payables and other financial liabilities	1,149	66	-	-	-	-	1,083
Bonds and notes	17,540	9,586	672	371	6,911	-	-
Term funding	1,766	1,766	-	-	-	-	-
Loan capital	2,596	227	584	-	1,785	-	-
Total financial liabilities	118,303	68,265	15,825	6,145	11,506	-	16,562
Non-financial liabilities	696	-	-	-	-	-	696
Equity	7,315	-	-	-	-	-	7,315
Total liabilities and equity	126,314	68,265	15,825	6,145	11,506	-	24,573
On-balance sheet interest sensitivity gap	-	(10,539)	(6,505)	8,297	15,972	733	(7,958)
Hedging instruments	-	11,589	5,630	(11,762)	(4,417)	(1,040)	-
Interest sensitivity gap - net	-	1,050	(875)	(3,465)	11,555	(307)	(7,958)
Interest sensitivity gap - cumulative	-	1,050	175	(3,290)	8,265	7,958	-

29. FINANCIAL RISK MANAGEMENT (Continued)

Unaudited 31/03/2010	Total $m	Less than 3 months $m	3 to 6 months $m	NZ Branch 6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	364	-	-	-	-	-	364
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	10,029	3,543	1,222	1,956	3,292	-	16
Due from related entities	504	504	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total financial assets	10,897	4,047	1,222	1,956	3,292	-	380
Non-financial assets	6	-	-	-	-	-	6
Total assets	10,903	4,047	1,222	1,956	3,292	-	386
Liabilities							
Due to other financial institutions	10,614	10,614	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	75	-	-	-	-	-	75
Payables and other financial liabilities	61	-	-	-	-	-	61
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-		-	-	-	-
Total financial liabilities	10,750	10,614	-	-	-	-	136
Non-financial liabilities	48	-	-	-	-	-	48
Equity	105	-	-	-	-	-	105
Total liabilities and equity	10,903	10,614	-	-	-	-	289
On-balance sheet interest sensitivity gap	-	(6,567)	1,222	1,956	3,292	-	97
Hedging instruments	-	6,718	(849)	(2,443)	(3,426)	-	-
Interest sensitivity gap - net	-	151	373	(487)	(134)	-	97
Interest sensitivity gap - cumulative	-	151	524	37	(97)	(97)	-

Unaudited 31/03/2009	Total $m	Less than 3 months $m	3 to 6 months $m	NZ Branch 6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	30	-	-	-	-	-	30
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	4,754	1,377	488	910	1,982	-	(3)
Due from subsidiary companies	204	11	-	-	-	-	193
Other financial assets	25	-	-	-	-	-	25
Total financial assets	5,013	1,388	488	910	1,982	-	245
Non-financial assets	2	-	-	-	-	-	2
Total assets	5,015	1,388	488	910	1,982	-	247
Liabilities							
Due to other financial institutions	4,751	4,751	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	250	-	-	-	-	-	250
Payables and other financial liabilities	-	-	-	-	-	-	-
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Total financial liabilities	5,001	4,751	-	-	-	-	250
Non-financial liabilities	8	-	-	-	-	-	8
Equity	6	-	-	-	-	-	6
Total liabilities and equity	5,015	4,751	-	-	-	-	264
On-balance sheet interest sensitivity gap	-	(3,363)	488	910	1,982	-	(17)
Hedging instruments	-	3,271	(352)	(776)	(2,113)	(30)	-
Interest sensitivity gap - net	-	(92)	136	134	(131)	(30)	(17)
Interest sensitivity gap - cumulative	-	(92)	44	178	47	17	-

29. FINANCIAL RISK MANAGEMENT (Continued)

	NZ Branch						
Audited 30/09/2009	Total $m	Less than 3 months $m	3 to 6 months $m	6 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	Not bearing interest $m
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	34	-	-	-	-	-	34
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	8,774	2,125	1,165	1,757	3,726	-	1
Due from subsidiary companies	341	341	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total financial assets	9,149	2,466	1,165	1,757	3,726	-	35
Non-financial assets	3	-	-	-	-	-	3
Total assets	9,152	2,466	1,165	1,757	3,726	-	38
Liabilities							
Due to other financial institutions	8,801	8,679	122	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	254	-	-	-	-	-	254
Payables and other financial liabilities	41	-	-	-	-	-	41
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Total financial liabilities	9,096	8,679	122	-	-	-	295
Non-financial liabilities	17	-	-	-	-	-	17
Equity	39	-	-	-	-	-	39
Total liabilities and equity	9,152	8,679	122	-	-	-	351
On-balance sheet interest sensitivity gap	-	(6,213)	1,043	1,757	3,726	-	(313)
Hedging instruments	-	6,553	(789)	(2,088)	(3,676)	-	-
Interest sensitivity gap - net	-	340	254	(331)	50	-	(313)
Interest sensitivity gap - cumulative	-	340	594	263	313	313	-

Equity price risk

The portfolio of financial assets, classified as available-for-sale for measurement and financial reporting purposes, also contains equity investment holdings held for longer term strategic intentions. These equity investments are also subject to market risk which is not captured by the VaR measures for traded and non-traded market risks. The fair value of these securities as at 31 March 2010 was $96 million (31/03/2009 $71 million; 30/09/2009 $71 million). Regular reviews are performed to substantiate valuation of the investments within the portfolio. The fair value of the equity securities classified as available-for-sale can fluctuate considerably. A 10 per cent reduction in the value of the available-for-sale equity securities at 31 March 2010 would have reduced equity by $10 million (31/03/2009 $7 million; 30/09/2009 $7 million).

29. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency related risks
This risk relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates.

For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures, arising from each class of financial asset and liability, whether recognised or unrecognised, within each currency are not material.

The net open position in each foreign currency, detailed in the table below, represents the net on-balance sheet assets and liabilities in that foreign currency aggregated with the net expected future cash flows from off-balance sheet purchases and sales from foreign exchange transactions in that foreign currency. The amounts are stated in New Zealand dollar equivalents translated using the spot exchange rates as at balance sheet date.

	NZ Banking Group			NZ Branch		
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	31/03/2010	31/03/2009	30/09/2009	**31/03/2010**	31/03/2009	30/09/2009
Net open position	**$m**	$m	$m	**$m**	$m	$m
Australian dollar	**26**	27	2	-	-	1
Canadian dollar	**(1)**	3	-	-	-	-
Swiss Franc	-	(4)	-	-	-	-
Euro	**6**	9	(1)	-	-	-
Pound sterling	**11**	1	-	-	-	-
US dollar	**(42)**	(4)	2	-	-	-
Other	**4**	-	(1)	-	-	-
Total net open position	**4**	32	2	-	-	1

LIQUIDITY RISK
Liquidity risk is the risk that the NZ Banking Group has insufficient capacity to fund increases in assets or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the NZ Banking Group.

The NZ Banking Group's liquidity and funding risks are governed by a detailed policy framework which is approved by the Risk Committee of the Board of Directors. The core objective of the NZ Banking Group's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses. In response to the impact of the global financial crisis, the framework has been reviewed and updated.

Central to the NZ Banking Group's liquidity risk management approach is the establishment of a liquidity risk appetite framework to which the NZ Banking Group must conform at all times. The risk appetite for liquidity has been set as low, and this objective is achieved by the NZ Banking Group managing liquidity risks within the boundaries of the following requirements and principles:

- Maintaining the ability to meet all payment obligations in the immediate term.
- Ensuring the ability to meet "survival horizons" under a range of ANZ specific and general market liquidity stress scenarios.
- Maintaining strength in the NZ Banking Group's balance sheet structure to ensure long term resilience in the NZ Banking Group's liquidity and funding risk profile.
- Limiting the potential earnings at risk implications associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Ensuring the liquidity management framework is compatible with regulatory requirements.
- Daily liquidity reporting and scenario analysis, quantifying the NZ Banking Group's positions.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Establishing detailed contingency plans to cover different liquidity crisis events.

Management of liquidity and funding risks are overseen by the Asset and Liability Committee ("ALCO").

29. FINANCIAL RISK MANAGEMENT (Continued)

Scenario Modelling
A key component of the NZ Banking Group's liquidity management framework is scenario modelling. Liquidity is assessed under different scenarios, including "going-concern" and "name-crisis" and various "survival horizons".

"Going-concern": reflects the normal behaviour of cash flows in the ordinary course of business. The NZ Banking Group must be able to meet all commitments and obligations under a going concern scenario, within the NZ Banking Group normal funding capacity ('available to fund' limit), over at least the following 30 calendar days.

In estimating the funding requirement, the NZ Banking Group models expected cash flows by reference to historical behaviour and contractual maturity data. As of 31 March 2010 the NZ Banking Group was in compliance with this scenario.

"Name-crisis": refers to a potential name-specific liquidity crisis scenario which models the behaviour of cash flows where there is a problem (real or perceived) which may include, but is not limited to, operational issues, doubts about the solvency of the NZ Banking Group or adverse rating changes.

Under this scenario the NZ Banking Group may have significant difficulty rolling over or replacing funding. Under the liquidity policy the NZ Banking Group must be cash flow positive over an eight calendar day period. As of 31 March 2010 the NZ Banking Group was in compliance with this scenario.

"Survival horizons": The global financial crisis has highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events. As a result, the NZ Banking Group has recently enhanced its liquidity risk scenario modelling. The NZ Banking Group has linked its liquidity risk appetite to defined liquidity "survival horizons" (i.e. the time period under which the NZ Banking Group must maintain a positive cash flow position). The following stressed scenarios are modelled:

- Extreme Short Term Crisis Scenario ("ESTC"): A name-specific stress during a period of market stress.
- Short Term Crisis Scenario ("NSTC"): A name-specific stress during a period of normal markets conditions.
- Global Funding Market Disruption ("GFMD"): Stressed global wholesale funding markets leading to a closure of domestic and offshore markets.
- Offshore Funding Market Disruption ("OFMD"): Stressed global wholesale funding markets leading to a closure of offshore markets only.

As of 31 March 2010 the NZ Banking Group was in compliance with this scenario.

NZ Banking Group Funding Composition
The NZ Banking Group actively uses balance sheet disciplines to prudently manage the funding mix. The NZ Banking Group employs funding metrics to ensure that an appropriate proportion of the Group's assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity. This approach recognises that long-term wholesale debt and other sticky liabilities have favourable liquidity characteristics.

29. FINANCIAL RISK MANAGEMENT (Continued)

The table below outlines total NZ Banking Group volumes of customer deposits and wholesale funding:

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010	Unaudited 31/03/2009	Audited 30/09/2009	**Unaudited 31/03/2010**	Unaudited 31/03/2009	Audited 30/09/2009
Funding composition	**$m**	$m	$m	**$m**	$m	$m
Customer deposits[1]						
New Zealand	**51,830**	52,127	52,065	**-**	-	-
Overseas	**7,440**	7,435	7,866	**-**	-	-
Total customer deposits	**59,270**	59,562	59,931	**-**	-	-
Wholesale funding						
Bonds and notes	**18,004**	23,620	17,540	**-**	-	-
Loan capital	**2,641**	2,835	2,596	**-**	-	-
Certificates of deposit	**3,950**	7,054	4,441	**-**	-	-
Commercial paper	**7,416**	6,144	7,392	**-**	-	-
Term funding	**1,766**	1,766	1,766	**-**	-	-
Due to other financial institutions	**11,941**	8,911	12,514	**10,614**	4,751	8,801
Total wholesale funding	**45,718**	50,330	46,249	**10,614**	4,751	8,801
Total funding	**104,988**	109,892	106,180	**10,614**	4,751	8,801
Concentrations of funding by industry						
Households	**37,824**	37,491	37,738	**-**	-	-
Agriculture, forestry and fishing	**3,503**	4,186	3,872	**-**	-	-
Manufacturing	**1,539**	1,419	1,354	**-**	-	-
Entertainment, leisure and tourism	**666**	625	573	**-**	-	-
Finance and insurance	**51,886**	56,698	53,468	**10,614**	4,751	8,801
Retail trade	**783**	768	753	**-**	-	-
Wholesale trade	**850**	690	602	**-**	-	-
Business and property services	**4,020**	4,082	3,960	**-**	-	-
Transport and storage	**586**	480	614	**-**	-	-
Construction	**732**	743	736	**-**	-	-
Government and local authority	**1,561**	1,752	1,548	**-**	-	-
Other[2]	**1,038**	958	962	**-**	-	-
Total concentrations of funding by industry	**104,988**	109,892	106,180	**10,614**	4,751	8,801
Concentrations of funding by geography[3]						
New Zealand	**60,550**	65,356	61,612	**-**	-	-
United States	**17,167**	21,440	17,031	**-**	-	-
Europe	**7,638**	7,476	7,511	**-**	-	-
Other countries	**19,633**	15,620	20,026	**10,614**	4,751	8,801
Total concentrations of funding by geography	**104,988**	109,892	106,180	**10,614**	4,751	8,801

Analyses of funding liabilities by industry sector are based on Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes.

1 Represents: term deposits, demand deposits bearing interest, deposits not bearing interest and secured debenture stock.
2 Other includes exposures to electricity, gas and water, communications, and personal services.
3 Funding of the NZ Banking Group via ANZ National (Int'l) Limited is classified as either from the United States or Europe, as the company conducts overseas funding activities through its London branch.

29. FINANCIAL RISK MANAGEMENT (Continued)

Wholesale funding

The NZ Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency while targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term wholesale funding requirements, with a contractual maturity of less than one year, are managed through the Treasury and Markets operations. Long-term wholesale funding is managed and executed through Treasury operations.

The NZ Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

Under the normal business conditions scenario, borrowing capacity is an estimate of the amount of funding that can be raised in the wholesale markets in normal market conditions. The NZ Banking Group adopts a conservative approach to determine its funding capacity. Funding capacity limits are determined at the Ultimate Parent Bank level and allocated to individual sites based on their requirements.

Annually, a Funding Plan is ratified by the NZ Banking Group's Senior Management. The plan is supplemented by monthly updates, and is linked to the NZ Banking Group's three year strategic planning cycle.

Liquidity portfolio management

The NZ Banking Group holds a diversified portfolio of cash and high-quality highly-liquid securities that may be sold or pledged to provide same day liquidity.

The size of the NZ Banking Group's liquidity portfolio is based on the amount of liquidity required to meet the liquidity policy.

Assets held for managing liquidity risk include short term cash held with the RBNZ, New Zealand government securities, securities issued by supranational agencies and securities issued by highly rated banks. These assets are accepted as collateral by the RBNZ in repurchase transactions. The post-"haircut" value of these assets at 31 March 2010 was $10,524 million. The NZ Banking Group also held unencumbered Internal RMBS with a post-"haircut" value of $5,079 million (from 1 April the RBNZ has imposed a cap limiting the amount of RMBS deemed as eligible in the liquidity portfolio to 4% of total assets).

Liquidity crisis contingency planning

The NZ Banking Group maintains liquidity crisis contingency plans defining an approach for analysing and responding to a liquidity-threatening event at a NZ Banking Group-wide basis. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- outlined action plans, and courses of action for altering asset and liability behaviour.
- procedures for crisis management reporting, and covering cash-flow shortfalls;
- guidelines determining the priority of customer relationships in the event of liquidity problems; and
- assigned responsibilities for internal and external communications.

Contractual maturity analysis of financial assets and liabilities

The tables below analyse the NZ Banking Group's financial assets and liabilities, within relevant maturity groupings based on the earliest date on which the NZ Banking Group may be required to pay. The amounts represent undiscounted principal and interest cash flows and may differ to the amounts reported on the balance sheet.

The analysis, by remaining contractual maturities at balance date, of financial assets and liabilities represents the estimated obligation date expected for the asset and liability to be recovered or settled within one year, and greater than one year.

29. FINANCIAL RISK MANAGEMENT (Continued)

Contractual maturity analysis for financial assets and financial liabilities, including expected interest to maturity:

	NZ Banking Group						
	Total $m	At call $m	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	No maturity specified $m
Unaudited 31/03/2010							
Assets							
Liquid assets	2,520	2,520	-	-	-	-	-
Due from other financial institutions	2,101	35	1,934	132	-	-	-
Trading securities	6,366	-	416	621	3,887	1,442	-
Derivative financial instruments	9,087	-	-	-	-	-	9,087
Available-for-sale assets	1,850	-	637	737	43	168	265
Gross loans and advances	96,976	-	7,946	14,513	24,407	48,384	1,726
Other financial assets [1]	1,054	-	1,028	1	12	13	-
Interest	44,608	-	1,556	3,828	14,121	25,103	-
Total	164,562	2,555	13,517	19,832	42,470	75,110	11,078
Liabilities							
Due to other financial institutions	11,941	724	1,824	1,719	7,624	50	-
Deposits and other borrowings	70,636	19,623	29,600	18,927	2,486	-	-
Derivative financial instruments	9,109	-	-	-	-	-	9,109
Other financial liabilities	1,283	-	1,283	-	-	-	-
Gross bonds and notes	17,665	-	1,352	2,103	13,765	444	-
Term funding	1,766	-	-	1,766	-	-	-
Loan capital	2,641	-	-	-	-	1,463	1,178
Interest	5,876	-	700	1,548	3,375	253	-
Total	120,917	20,347	34,759	26,063	27,250	2,210	10,287

	NZ Banking Group						
Unaudited 31/03/2009	Total $m	At call $m	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	No maturity specified $m
Assets							
Liquid assets	3,390	3,390	-	-	-	-	-
Due from other financial institutions	7,631	158	4,416	2,405	652	-	-
Trading securities	2,565	-	504	389	1,503	169	-
Derivative financial instruments	15,072	-	-	-	-	-	15,072
Available-for-sale assets	597	-	-	493	10	23	71
Net loans and advances	98,490	-	9,964	12,341	31,361	45,094	(270)
Other financial assets	769	-	769	-	-	-	-
Interest	44,227	-	1,702	4,098	13,700	24,727	-
Total	172,740	3,548	17,354	19,726	47,226	70,014	14,873
Liabilities							
Due to other financial institutions	8,911	1,200	1,329	2,520	3,837	25	-
Deposits and other borrowings	72,760	28,079	26,864	15,334	2,484	-	-
Derivative financial instruments	13,080	-	-	-	-	-	13,080
Other financial liabilities	1,606	-	1,423	92	85	6	-
Bonds and notes	23,620	-	2,281	6,916	13,748	675	-
Term funding	1,766	15	-	1,751	-	-	-
Loan capital	2,835	-	-	-	-	1,679	1,156
Interest	5,292	-	744	1,338	2,969	241	-
Total	129,870	29,294	32,641	27,950	23,123	2,626	14,236

1. Other financial assets in the table above include investments related to insurance business.

29. FINANCIAL RISK MANAGEMENT (Continued)

				NZ Banking Group			
Audited 30/09/2009	Total $m	At call $m	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	No maturity specified $m
Assets							
Liquid assets	2,762	2,762	-	-	-	-	-
Due from other financial institutions	4,514	172	3,888	391	63	-	-
Trading securities	4,166	-	361	507	2,620	678	-
Derivative financial instruments	11,015	-	-	-	-	-	11,015
Available-for-sale assets	1,513	-	119	1,294	9	22	69
Net loans and advances	97,024	-	7,534	14,101	26,542	48,940	(93)
Other financial assets	1,003	-	1,003	-	-	-	-
Interest	46,411	-	1,594	4,019	14,423	26,375	-
Total	168,408	2,934	14,499	20,312	43,657	76,015	10,991
Liabilities							
Due to other financial institutions	12,514	1,039	2,838	1,948	6,246	443	-
Deposits and other borrowings	71,764	25,397	22,757	20,835	2,775	-	-
Derivative financial instruments	10,974	-	-	-	-	-	10,974
Other financial liabilities	1,149	-	1,149	-	-	-	-
Bonds and notes	17,540	-	2,149	2,640	12,404	347	-
Term funding	1,766	-	-	1,766	-	-	-
Loan capital	2,596	-	-	-	-	1,437	1,159
Interest	5,646	-	721	1,444	3,224	257	-
Total	123,949	26,436	29,614	28,633	24,649	2,484	12,133

				NZ Branch			
	Total $m	At call $m	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Beyond 5 years $m	No maturity specified $m
Unaudited 31/03/2010							
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	**364**	-	-	-	-	-	**364**
Available-for-sale assets	-	-	-	-	-	-	-
Gross loans and advances	**10,023**	-	**28**	**79**	**385**	**9,507**	**24**
Due from subsidiary companies	**504**	-	**504**	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Interest	**10,282**	-	**176**	**535**	**2,731**	**6,840**	-
Total	**21,173**	-	**708**	**614**	**3,116**	**16,347**	**388**
Liabilities							
Due to other financial institutions	**10,614**	-	**1,355**	**1,709**	**7,550**	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	**75**	-	-	-	-	-	**75**
Other financial liabilities	**61**	-	-	-	-	-	**61**
Gross bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Interest	**1,451**	-	**99**	**366**	**986**	-	-
Total	**12,201**	-	**1,454**	**2,075**	**8,536**	-	**136**

1. Other financial assets in the table above include investments related to insurance business.

29. FINANCIAL RISK MANAGEMENT (Continued)

Unaudited 31/03/2009	Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
				NZ Branch			
	$m	$m	$m	$m	$m	$m	$m
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	30	-	-	-	-	-	30
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	4,754	-	45	116	631	3,962	-
Due from subsidiary companies	204	11	193	-	-	-	-
Other financial assets	25	-	25	-	-	-	-
Interest	3,525	-	92	247	991	2,195	-
Total	8,538	11	355	363	1,622	6,157	30
Liabilities							
Due to other financial institutions	4,751	-	401	750	3,600	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	250	-	-	-	-	-	250
Other financial liabilities	-	-	-	-	-	-	-
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Interest	482	-	56	103	323	-	-
Total	5,483	-	457	853	3,923	-	250

Audited 30/09/2009	Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
				NZ Branch			
	$m	$m	$m	$m	$m	$m	$m
Assets							
Liquid assets	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	34	-	-	-	-	-	34
Available-for-sale assets	-	-	-	-	-	-	-
Net loans and advances	8,774	-	26	204	1,102	7,442	-
Due from subsidiary companies	341	-	341	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Interest	7,549	-	162	439	1,959	4,989	-
Total	16,698	-	529	643	3,061	12,431	34
Liabilities							
Due to other financial institutions	8,801	-	679	1,272	6,400	450	-
Deposits and other borrowings	-	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-	-
Derivative financial instruments	254	-	-	-	-	-	254
Other financial liabilities	41	-	41	-	-	-	-
Bonds and notes	-	-	-	-	-	-	-
Term funding	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-	-
Interest	1,232	-	66	278	882	6	-
Total	10,328	-	786	1,550	7,282	456	254

30. 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 2010, 31 March 2009 or 30 September 2009, or in respect of peak end-of-day aggregate credit exposures for the quarter ended 31 March 2010. The peak end-of-day exposures have been calculated using the Overseas Banking Group equity as at 31 March 2010. 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.

31. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010	Unaudited 31/03/2009	Audited 30/09/2009	**Unaudited 31/03/2010**	Unaudited 31/03/2009	Audited 30/09/2009
	$m	$m	$m	**$m**	$m	$m
Interest earning and discount bearing assets	**107,958**	110,811	109,699	**10,517**	4,768	9,114
Interest and discount bearing liabilities	**100,093**	106,001	101,741	**10,614**	4,751	8,801

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The determination of the fair value of financial instruments is fundamental to the financial reporting framework as all financial instruments are recognised initially at fair value and, with the exception of those financial instruments carried at amortised cost, are remeasured at fair value in subsequent periods.

The fair value of a financial instrument on initial recognition is normally the transaction price, however, in certain circumstances the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets.

Subsequent to initial recognition, the fair value of financial instruments measured at fair value is based on quoted market prices, where available. In cases where quoted market prices are not available, fair value is determined using market accepted valuation techniques that employ observable market data. In limited cases where observable market data is not available, the input is estimated based on other observable market data, historical trends and other factors that may be relevant.

A significant number of financial instruments are carried at fair value in the balance sheet. Below is a comparison of the carrying amounts, as reported on the balance sheet, and fair values of all financial assets and liabilities. The fair value disclosure does not cover those instruments that are not considered financial instruments from an accounting perspective such as income tax and intangible assets. The aggregate fair value amounts do not represent the underlying value of the NZ Banking Group.

In the tables below, classes of financial assets have been allocated based on their accounting treatment. The significant accounting policies in Note 1 describe how the categories of financial assets and financial liabilities are measured and how income and expenses, including fair value gains and losses, are recognised.

Financial asset classes have been allocated into the following groups: amortised cost; financial assets at fair value through profit or loss; derivatives in effective hedging relationships; and available-for-sale financial assets. Similarly, each class of financial liability has been allocated into three groups: amortised cost; financial liabilities at fair value through profit or loss; and derivatives in effective hedging relationships.

The fair values are based on relevant information available as at the respective balance sheet dates and have not been updated to reflect changes in market conditions after the balance sheet date.

FINANCIAL ASSETS

Liquid assets and due from other financial institutions

The carrying values of these financial instruments where there has been no significant change in credit risk are considered to approximate their net fair values as they are short-term in nature or are receivable on demand, or when longer term in nature, fair value is based on quoted market prices.

Trading securities

Trading securities are carried at fair value. Fair value is generally based on quoted market prices, broker or dealer price quotations, or modelled valuations using prices for securities with similar credit risk, maturity and yield characteristics.

Derivative financial instruments

Derivative financial instruments are carried at fair value. The fair values of derivative financial instruments are determined using market prices and market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

Available-for-sale assets

Fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Net loans and advances
The carrying value of loans and advances includes deferred fees and expenses, and is net of provision for credit impairment and income yet to mature.

Fair value has been determined through discounting future cash flows. For fixed rate loans and advances, the discount rate applied incorporates changes in wholesale market rates, the NZ Banking Group's cost of wholesale funding and movements in customer margin. For floating rate loans, only changes in wholesale market rates and the NZ Banking Group's cost of wholesale funding are incorporated in the discount rate. For variable rate loans where the NZ Banking Group sets the applicable rate at its discretion, the fair value is set equal to the carrying value.

The difference between estimated fair values for loans and advances and their carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Other financial assets
Included in this category are accrued interest and fees receivable. The carrying values of accrued interest and fees receivable are considered to approximate their net fair values as they are short term in nature or are receivable on demand.

Financial assets designated at fair value through profit or loss
The NZ Banking Group has not reclassified any financial assets previously measured at amortised cost to fair value, or previously measured at fair value to amortised cost, during the period ended 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil).

FINANCIAL LIABILITIES
Due to other financial institutions
The carrying value of short term financial instruments is their net fair value, or when longer term in nature, fair value is based on quoted market prices, or for those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument is used.

Deposits and other borrowings
For interest bearing fixed maturity deposits and other borrowings with quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows. The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

Financial liabilities designated at fair value through profit or loss
Certain items included in deposits and other borrowings have been designated as financial liabilities at fair value through profit or loss in order to eliminate an accounting mismatch which would arise if the liabilities were otherwise carried at amortised cost. This mismatch arises where a derivative, which is required to be measured at fair value through profit or loss, has been acquired to mitigate a financial risk within the financial liability.

At balance date, the carrying amount of deposits and other borrowings designated by the NZ Banking Group at fair value through profit or loss was $7,416 million (31/03/2009 $6,144 million; 30/09/2009 $7,392 million). This is $1 million higher (30/09/2009 $9 million higher; 30/09/2009 $4 million higher) than their amortised cost.

The accumulated amount of the change in fair value attributable to changes in credit risk on these liabilities was less than $3 million (31/03/2009 less than $3 million; 30/09/2009 less than $3 million).The change in fair value attributable to changes in credit risk has been determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risks (benchmark interest rate, and foreign exchange rates).

Bonds and notes, term funding and loan capital
The aggregate fair value of bonds and notes and loan capital is calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument is used.

Payables and other financial liabilities
This category includes accrued interest and fees payable for which the carrying amount is considered to approximate the fair value.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Commitments and contingencies
As outlined in the Contingent Liabilities and Credit Related Commitments note, the NZ Banking Group has various credit related commitments. Based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, together with any changes in the creditworthiness of counterparties since origination of the commitments, their estimated replacement or net fair value is not material.

VALUATION METHODOLOGY
A significant number of financial instruments are carried on the balance sheet at fair value. The NZ Banking Group has implemented controls that ensure that the fair value is either determined, or validated, by a function independent of the party that undertakes the transaction.

The best evidence of fair value is a quoted price in an active market. Accordingly, wherever possible fair value is based on quoted market prices for the financial instrument. The net position of non-derivative financial instruments with offsetting market risks and all derivative portfolios, are valued at the quoted bid price for assets and the quoted ask price for liabilities. The quoted market price is not adjusted for any potential impact that may be attributed to a large holding of the financial instrument.

Where quoted market prices are used, independent price determination or validation is utilised. The results of independent validation processes are reported to senior management, and adjustments to the fair values are made as appropriate.

In the event that there is no quoted market price for the instrument, fair values are based on present value estimates or other market accepted valuation techniques which include data from observable markets wherever possible. The majority of valuation techniques employ only observable market data however, for certain financial instruments the fair value cannot be determined in whole with reference to current market transactions or valuation techniques whose variables only include data from observable markets. In respect of the valuation component where market observable data is not available, the fair value is determined using valuation techniques based on data derived and extrapolated from market data and tested against historic transactions and observed market trends.

The valuation models incorporate the impact of the bid/ask spread, counterparty credit spreads and other factors that would influence the fair value determined by a market participant.

For fair values determined using a valuation model, the control framework may include, as applicable, independent development or validation of: (i) valuation models; (ii) any inputs to those models; and (iii) any adjustments required outside of the valuation model, and, where possible, independent validation of model outputs.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	NZ Banking Group					
	At amortised cost	At fair value through profit or loss		Hedging	Available-for-sale assets	
Carrying amount Financial assets	Sub-total $m	Designated on initial recogntion $m	Held for trading $m	$m	$m	Total $m
Unaudited 31/03/2010						
Liquid assets	**2,520**	-	-	-	-	**2,520**
Due from other financial institutions	**294**	-	-	-	**1,807**	**2,101**
Trading securities	-	-	**6,366**	-	-	**6,366**
Derivative financial instruments[1]	-	-	**8,529**	**558**	-	**9,087**
Available-for-sale assets	-	-	-	-	**1,850**	**1,850**
Net loans and advances[2]	**95,689**	-	-	-	-	**95,689**
Investments relating to insurance business	-	**38**	-	-	-	**38**
Other financial assets	**1,016**	-	-	-	-	**1,016**
Total financial assets	**99,519**	**38**	**14,895**	**558**	**3,657**	**118,667**
Unaudited 31/03/2009						
Liquid assets	3,390	-	-	-	-	3,390
Due from other financial institutions	3,362	-	-	-	4,269	7,631
Trading securities	-	-	2,565	-	-	2,565
Derivative financial instruments[1]	-	-	14,346	726	-	15,072
Available-for-sale assets	-	-	-	-	597	597
Net loans and advances[2]	98,490	-	-	-	-	98,490
Other financial assets	769	-	-	-	-	769
Total financial assets	106,011	-	16,911	726	4,866	128,514
Audited 30/09/2009						
Liquid assets	2,762	-	-	-	-	2,762
Due from other financial institutions	1,778	-	-	-	2,736	4,514
Trading securities	-	-	4,166	-	-	4,166
Derivative financial instruments[1]	-	-	10,468	547	-	11,015
Available-for-sale assets	-	-	-	-	1,513	1,513
Net loans and advances[2]	97,024	-	-	-	-	97,024
Other financial assets	1,003	-	-	-	-	1,003
Total financial assets	102,567	-	14,634	547	4,249	121,997

The following table summarises the carrying amounts and fair values of those financial assets not presented in the NZ Banking Group's balance sheet at their fair value:

	NZ Banking Group					
	Unaudited 31/03/2010		Unaudited 31/03/2009		Audited 30/09/2009	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Liquid assets	**2,520**	**2,520**	3,390	3,381	2,762	2,762
Due from other financial institutions	**294**	**294**	3,362	3,371	1,778	1,778
Net loans and advances[2]	**95,689**	**95,537**	98,490	98,364	97,024	96,798
Other financial assets	**1,016**	**1,016**	769	769	1,003	1,003
Total financial assets at amortised cost	**99,519**	**99,367**	106,011	105,885	102,567	102,341

1. Derivative financial instruments classified as held-for-trading include derivatives entered into as economic hedges which are not designated as accounting hedges.
2. Fair value hedging is applied to financial assets within net loans and advances. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	NZ Banking Group					
Carrying amount Financial liabilities	At amortised cost $m	At fair value through profit or loss: Designated on initial recognition $m	Held for trading $m	Sub-total $m	Hedging $m	Total $m
Unaudited 31/03/2010						
Due to other financial institutions	**11,941**	-	-	-	-	**11,941**
Deposits and other borrowings	**63,220**	**7,416**	-	**7,416**	-	**70,636**
Derivative financial instruments[1]	-	-	**8,262**	**8,262**	**847**	**9,109**
Other financial liabilities	**1,283**	-	-	-	-	**1,283**
Bonds and notes[2]	**18,004**	-	-	-	-	**18,004**
Term funding	**1,766**	-	-	-	-	**1,766**
Loan capital	**2,641**	-	-	-	-	**2,641**
Total financial liabilities	**98,855**	**7,416**	**8,262**	**15,678**	**847**	**115,380**
Unaudited 31/03/2009						
Due to other financial institutions	8,911	-	-	-	-	8,911
Deposits and other borrowings	66,616	6,144	-	6,144	-	72,760
Derivative financial instruments[1]	-	-	11,590	11,590	1,490	13,080
Other financial liabilities	1,606	-	-	-	-	1,606
Bonds and notes[2]	23,620	-	-	-	-	23,620
Term funding	1,766	-	-	-	-	1,766
Loan capital	2,835	-	-	-	-	2,835
Total financial liabilities	105,354	6,144	11,590	17,734	1,490	124,578
Audited 30/09/2009						
Due to other financial institutions	12,514	-	-	-	-	12,514
Deposits and other borrowings	64,372	7,392	-	7,392	-	71,764
Derivative financial instruments[1]	-	-	9,817	9,817	1,157	10,974
Other financial liabilities	1,149	-	-	-	-	1,149
Bonds and notes[2]	17,540	-	-	-	-	17,540
Term funding	1,766	-	-	-	-	1,766
Loan capital	2,596	-	-	-	-	2,596
Total financial liabilities	99,937	7,392	9,817	17,209	1,157	118,303

The following table summarises the carrying amounts and fair values of those financial liabilities not presented in the NZ Banking Group's balance sheet at their fair value:

	NZ Banking Group					
	Unaudited 31/03/2010		Unaudited 31/03/2009		Audited 30/09/2009	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Due to other financial institutions	**11,941**	**12,154**	8,911	8,750	12,514	12,732
Deposits and other borrowings	**63,220**	**63,261**	66,616	66,743	64,372	64,404
Other financial liabilities	**1,283**	**1,283**	1,606	1,743	1,149	1,149
Bonds and notes[2]	**18,004**	**18,251**	23,620	22,918	17,540	17,502
Term funding	**1,766**	**1,766**	1,766	1,754	1,766	1,766
Loan capital	**2,641**	**2,601**	2,835	2,642	2,596	2,516
Total financial liabilities at amortised cost	**98,855**	**99,316**	105,354	104,550	99,937	100,069

1. Derivative financial instruments classified as held-for-trading include derivatives entered into as economic hedges which are not designated as accounting hedges.
2. Fair value hedging is applied to financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	NZ Branch			
	At amortised cost	At fair value though profit or loss	Hedging	
Carrying amount Financial assets		Held for trading		Total
Unaudited 31/03/2010	$m	$m	$m	$m
Liquid assets	-	-	-	-
Due from other financial institutions	-	-	-	-
Trading securities	-	-	-	-
Derivative financial instruments[1]	-	354	10	364
Available-for-sale assets	-	-	-	-
Net loans and advances[2]	10,029	-	-	10,029
Due from related entities	504	-	-	504
Other financial assets	-	-	-	-
Total financial assets	10,533	354	10	10,897
Unaudited 31/03/2009				
Liquid assets	-	-	-	-
Due from other financial institutions	-	-	-	-
Trading securities	-	-	-	-
Derivative financial instruments[1]	-	1	29	30
Available-for-sale assets	-	-	-	-
Net loans and advances[2]	4,754	-	-	4,754
Due from related entities	204	-	-	204
Other financial assets	25	-	-	25
Total financial assets	4,983	1	29	5,013
Audited 30/09/2009				
Liquid assets	-	-	-	-
Due from other financial institutions	-	-	-	-
Trading securities	-	-	-	-
Derivative financial instruments[1]	-	3	31	34
Available-for-sale assets	-	-	-	-
Net loans and advances[2]	8,774	-	-	8,774
Due from related entities	341	-	-	341
Other financial assets	-	-	-	-
Total financial assets	9,115	3	31	9,149

The following table summarises the carrying amounts and fair values of those financial assets not presented in the NZ Branch's balance sheet at their fair value:

	NZ Branch					
	Unaudited 31/03/2010		Unaudited 31/03/2009		Audited 30/09/2009	
	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Liquid assets	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Net loans and advances[2]	10,029	10,085	4,754	4,877	8,774	8,797
Due from related entities	504	504	204	204	341	341
Other financial assets	-	-	25	25	-	-
Total financial assets at amortised cos	10,533	10,589	4,983	5,106	9,115	9,138

1. Derivative financial instruments classified as held-for-trading include derivatives entered into as economic hedges which are not designated as accounting hedges.
2. Fair value hedging is applied to financial assets within net loans and advances. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	NZ Branch					
	At amortised cost	At fair value through profit or loss			Hedging	
Carrying amount Financial liabilities		Designated on initial recognition	Held for trading	Sub-total		Total
Unaudited 31/03/2010	$m	$m	$m	$m	$m	$m
Due to other financial institutions	**10,614**	-	-	-	-	**10,614**
Deposits and other borrowings	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-
Derivative financial instruments[1]	-	-	**25**	**25**	**50**	**75**
Other financial liabilities	**61**	-	-	-	-	**61**
Bonds and notes[2]	-	-	-	-	-	-
Term funding	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-
Total financial liabilities	**10,675**	-	**25**	**25**	**50**	**10,750**
Unaudited 31/03/2009						
Due to other financial institutions	4,751	-	-	-	-	4,751
Deposits and other borrowings	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-
Derivative financial instruments[1]	-	-	250	250	-	250
Other financial liabilities	-	-	-	-	-	-
Bonds and notes[2]	-	-	-	-	-	-
Term funding	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-
Total financial liabilities	4,751	-	250	250	-	5,001
Audited 30/09/2009						
Due to other financial institutions	8,801	-	-	-	-	8,801
Deposits and other borrowings	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-
Derivative financial instruments[1]	-	-	252	252	2	254
Other financial liabilities	41	-	-	-	-	41
Bonds and notes[2]	-	-	-	-	-	-
Term funding	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-
Total financial liabilities	8,842	-	252	252	2	9,096

The following table summarises the carrying amounts and fair values of those financial liabilities not presented in the NZ Branch's balance sheet at their fair value:

	NZ Branch					
	Unaudited 31/03/2010		Unaudited 31/03/2009		Audited 30/09/2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
	$m	**$m**	$m	$m	$m	$m
Due to other financial institutions	**10,614**	**10,818**	4,751	4,590	8,801	9,019
Deposits and other borrowings	-	-	-	-	-	-
Due to subsidiary companies	-	-	-	-	-	-
Other financial liabilities	**61**	**61**	-	-	41	41
Bonds and notes[2]	-	-	-	-	-	-
Term funding	-	-	-	-	-	-
Loan capital	-	-	-	-	-	-
Total financial liabilities at amortised c	**10,675**	**10,879**	4,751	4,590	8,842	9,060

1. Derivative financial instruments classified as held-for-trading include derivatives entered into as economic hedges which are not designated as accounting hedges.
2. Fair value hedging is applied to financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The table below provides an analysis of the methodology used for valuing financial assets and financial liabilities that are required to be remeasured at fair value. The fair value of the financial instrument has been allocated in full to the category which most accurately reflects the determination of the fair value.
All shares share equally in dividends and any proceeds available to ordinary shareholders on winding up of the Bank. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

	Valuation technique			
Unaudited 31/03/2010	**Quoted market price**	**Using observable inputs**	**Using significant non-observable inputs**	**Total**
NZ Banking Group	**$m**	**$m**	**$m**	**$m**
Financial assets				
Due from other financial institutions	**1,807**	**-**	**-**	**1,807**
Trading securities	**3,178**	**3,188**	**-**	**6,366**
Available-for-sale assets	**1,642**	**69**	**139**	**1,850**
Derivative financial instruments	**3**	**9,084**	**-**	**9,087**
Investments relating to insurance business	-	**38**	**-**	**38**
Total financial assets	**6,630**	**12,379**	**139**	**19,148**
Financial liabilities				
Derivative financial instruments	**46**	**9,063**	**-**	**9,109**
Commercial paper	**-**	**7,416**	**-**	**7,416**
Total financial liabilities	**46**	**16,479**	**-**	**16,525**
Unaudited 31/03/2009				
NZ Banking Group				
Financial assets				
Due from other financial institutions	4,269	-	-	4,269
Trading securities	719	1,846	-	2,565
Available-for-sale assets	518	79	-	597
Derivative financial instruments	96	14,976	-	15,072
Total financial assets	5,602	16,901	-	22,503
Financial liabilities				
Derivative financial instruments	11	13,069	-	13,080
Commercial paper	-	6,144	-	6,144
Total financial liabilities	11	19,213	-	19,224
Audited 30/09/2009				
NZ Banking Group				
Financial assets				
Due from other financial institutions	2,736	-	-	2,736
Trading securities	1,261	2,905	-	4,166
Available-for-sale assets	1,413	100	-	1,513
Derivative financial instruments	45	10,970	-	11,015
Total financial assets	5,455	13,975	-	19,430
Financial liabilities				
Derivative financial instruments	2	10,972	-	10,974
Commercial paper	-	7,392	-	7,392
Total financial liabilities	2	18,364	-	18,366

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The NZ Banking Group holds investments in certain unlisted collateralised debt obligations and other similar assets which are valued using broker quotes and other valuation methods that rely on significant non observable inputs. The movements in these balances across the period were:

	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited year to 30/09/2010 $m
Opening balance	-	-	-
Purchases	127	-	-
Sales	(5)	-	-
Revaluations	23	-	-
Foreign exchange movements	(6)	-	-
Closing balance	139	-	-

The table below provides an analysis of the methodology used for valuing financial assets and financial liabilities that are required to be remeasured at fair value for the NZ Branch.

		Valuation technique		
Unaudited 31/03/2010	**Quoted market price**	**Using observable inputs**	**Using significant non-observable inputs**	**Total**
NZ Branch	**$m**	**$m**	**$m**	**$m**
Parent				
Financial assets				
Trading securities	-	-	-	-
Available-for-sale assets	-	-	-	-
Derivative financial instruments	-	364	-	364
Total financial assets	-	364	-	364
Financial liabilities				
Derivative financial instruments	-	75	-	75
Total financial liabilities	-	75	-	75
Unaudited 31/03/2009				
NZ Branch				
Financial assets				
Trading securities	-	-	-	-
Available-for-sale assets	-	-	-	-
Derivative financial instruments	-	30	-	30
Total financial assets	-	30	-	30
Financial liabilities				
Derivative financial instruments	-	250	-	250
Total financial liabilities	-	250	-	250
Audited 30/09/2009				
NZ Branch				
Financial assets				
Trading securities	-	-	-	-
Available-for-sale assets	-	-	-	-
Derivative financial instruments	-	34	-	34
Total financial assets	-	34	-	34
Financial liabilities				
Derivative financial instruments	-	254	-	254
Total financial liabilities	-	254	-	254

33. SEGMENTAL ANALYSIS

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

The segments and products and services categories as reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

As the composition of segments has changed over time, prior period comparatives have been adjusted to be consistent with the 2010 segment definitions.

A summarised description of each business segment is shown below:

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

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 NZ Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is primarily involved in the financing and leasing of plant, vehicles and equipment, primarily for small and medium sized businesses, as well as investment products.

Institutional
Institutional provides financial services to large multi-banked corporates, often global, who require sophisticated product and structuring solutions. The Institutional business unit includes 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.

33. SEGMENTAL ANALYSIS (Continued)

BUSINESS SEGMENT ANALYSIS[1,2]

	NZ Banking Group				
	Retail Banking[4] $m	Commercial Banking $m	Institutional $m	Other $m	Total $m
Unaudited 31/03/2010					
External interest income	**1,913**	**1,122**	**65**	**(28)**	**3,072**
External interest expense	**(685)**	**(173)**	**(208)**	**(859)**	**(1,925)**
Net intersegment interest	**(658)**	**(566)**	**367**	**857**	**-**
Net interest income	**570**	**383**	**224**	**(30)**	**1,147**
Other external operating income	**197**	**51**	**96**	**41**	**386**
Share of profit of equity accounted associates and jointly controlled entities	**35**	**-**	**-**	**1**	**36**
Operating income	**802**	**434**	**320**	**12**	**1,569**
Other external expenses	**286**	**82**	**48**	**293**	**710**
Net intersegment and related party expenses[3]	**227**	**59**	**28**	**(275)**	**39**
Operating expenses	**513**	**141**	**76**	**18**	**748**
Profit before provision for credit impairment and income tax	**289**	**293**	**244**	**(6)**	**821**
Provision for credit impairment	**143**	**208**	**(26)**	**-**	**325**
Profit before income tax	**146**	**85**	**270**	**(6)**	**496**
Income tax expense	**51**	**26**	**78**	**(46)**	**108**
Profit after income tax	**95**	**59**	**192**	**40**	**387**
Non-cash expenses					
Depreciation and amortisation	**4**	**1**	**-**	**20**	**25**
Balance sheet					
Goodwill	**1,138**	**1,052**	**1,072**	**-**	**3,262**
Intangible assets	**283**	**9**	**2**	**5**	**298**
Share in associates and jointly controlled entities	**-**	**-**	**56**	**88**	**144**
Total external assets	**55,814**	**36,901**	**30,626**	**164**	**123,504**
Total external liabilities	**39,291**	**10,142**	**26,639**	**40,046**	**116,119**

	NZ Banking Group				
	Retail Banking[4] $m	Commercial Banking $m	Institutional $m	Other $m	Total $m
Unaudited 31/03/2009					
External interest income	2,332	1,514	414	(28)	4,233
External interest expense	(1,051)	(322)	(520)	(1,155)	(3,047)
Net intersegment interest	(697)	(796)	356	1,137	-
Net interest income	584	397	251	(46)	1,186
Other external operating income	84	49	191	107	431
Share of profit of equity accounted associates and jointly controlled entities	7	-	-	1	8
Operating income	674	446	442	63	1,625
Other external expenses	246	82	54	316	698
Net intersegment and related party expenses[3]	220	54	27	(261)	41
Operating expenses	467	136	81	56	739
Profit before provision for credit impairment and income tax	208	310	361	7	886
Provision for credit impairment	137	120	32	-	288
Profit before income tax	71	190	329	7	598
Income tax expense	19	57	96	4	176
Profit after income tax	51	133	233	3	421
Non-cash expenses					
Depreciation and amortisation	6	1	1	17	24
Balance sheet					
Goodwill	1,138	1,052	1,072	-	3,262
Intangible assets	40	5	5	8	59
Share in associates and jointly controlled entities	253	-	65	78	396
Total external assets	55,659	37,696	35,930	3,687	132,972
Total external liabilities	43,632	11,296	34,588	35,939	125,455

1. Results are equity standardised.
2. Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
3. Net intersegment expenses are eliminated at the Overseas Bank level.
4. Includes a loss of $82 million (30/9/2009 nil; 31/3/2009 nil) on acquisition of ING NZ and a charge of $nil (30/9/2009 $211 million; 31/3/2009: $166 million) in relation to ING New Zealand Funds.

33. SEGMENTAL ANALYSIS (Continued)

BUSINESS SEGMENT ANALYSIS[1,2]

	NZ Banking Group				
	Retail Banking[4] $m	Commercial Banking $m	Institutional $m	Other $m	Total $m
Audited 30/09/2009					
External interest income	4,405	2,697	438	(61)	7,479
External interest expense	(1,775)	(533)	(731)	(2,142)	(5,181)
Net intersegment interest	(1,470)	(1,399)	759	2,110	-
Net interest income	1,161	765	465	(93)	2,298
Other external operating income	280	99	300	(11)	667
Share of profit of equity accounted associates and jointly controlled entities	13	-	(2)	3	13
Operating income	1,453	863	763	(101)	2,978
Other external expenses	486	160	111	631	1,388
Net intersegment and related party expenses[3]	463	113	56	(540)	91
Operating expenses	948	273	167	90	1,479
Profit before provision for credit impairment and income tax	505	590	596	(191)	1,499
Provision for credit impairment	368	419	96	-	883
Profit before income tax	136	171	500	(191)	616
Income tax expense	36	51	144	192	422
Profit after income tax	100	121	356	(384)	194
Non-cash expenses					
Depreciation and amortisation	11	2	2	35	50
Balance sheet					
Goodwill	1,138	1,052	1,072	-	3,262
Intangible assets	45	9	2	4	61
Share in associates and jointly controlled entities	329	-	61	74	466
Total external assets	55,464	37,574	31,021	2,254	126,314
Total external liabilities	38,962	10,510	38,659	30,868	118,985

1. Results are equity standardised.
2. Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
3. Net intersegment expenses are eliminated at the Overseas Bank level.
4. Includes a loss of $82 million (30/9/2009 nil; 31/3/2009 nil) on acquisition of ING NZ and a charge of $nil (30/9/2009 $211 million; 31/3/2009: $166 million) in relation to ING New Zealand Funds.

34. NOTES TO THE CASH FLOW STATEMENTS

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Reconciliation of profit after income tax to net cash flows provided by (used in) operating activities						
Profit after income tax	**386**	422	194	**66**	(5)	28
Non-cash items:						
Depreciation and amortisation	**25**	24	50	-	-	-
Provision for credit impairment	**325**	288	883	**11**	3	9
Deferred fee revenue and expenses	**(37)**	3	(8)	-	-	-
Share-based payments expense	**10**	9	18	-	-	-
Amortisation of capitalised brokerage/ mortgage origination fees	**23**	27	54	**5**	-	4
Deferrals or accruals of past or future operating cash receipts or payments:						
Change in operating assets and liabilities	**(1,543)**	1,983	(1,346)	**(127)**	10	(107)
Change in interest receivable	**(1)**	77	138	-	(25)	-
Change in interest payable	**(90)**	(257)	(259)	**17**	7	41
Change in accrued income	**(2)**	(5)	1	-	-	-
Change in accrued expenses	**21**	(15)	41	-	1	2
Change in provisions	**(58)**	150	100	-	-	-
Amortisation of premiums and discounts	**9**	59	76	-	-	-
Change in insurance policy assets	**(25)**	-	-	-	-	-
Change in insurance investment assets	**(5)**	-	-	-	-	-
Change in value of associates	-	-	-	-	-	-
Change in net income tax assets	**(458)**	(89)	183	**28**	(2)	12
Items classified as investing/financing:						
Share of profit of equity accounted associates and jointly controlled entities	**(36)**	(8)	(11)	-	-	-
Re-measuring existing equity interest to fair value	**82**	-	-	-	-	-
Impairment of associates	**4**	-	-	-	-	-
Loss (gain) on disposal of premises and equipment and intangibles	**6**	(17)	(13)	-	-	-
Net cash flows (used in) provided by operating activities	**(1,364)**	2,651	101	-	(11)	(11)

Reconciliation of core liquidity portfolio to cash and cash equivalents

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

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Balances with central banks	**1,965**	2,418	2,207	-	-	-
Securities purchased under agreement to resell	**128**	448	1,075	-	-	-
Certificates of deposit	**1,892**	4,314	2,736	-	-	-
Government, Local Body stock and bonds	**2,961**	477	1,102	-	-	-
Available-for-sale assets	**1,524**	394	1,435	-	-	-
Other bank bonds	**2,934**	1,324	2,522	-	-	-
Total liquidity portfolio[1]	**11,404**	9,375	11,077	-	-	-
Reconciliation to cash and cash equivalents:						
Other cash items not included within liquidity portfolio:						
Liquid assets not with central banks	**554**	964	556	-	-	-
Due from other financial institutions - less than 90 days	**49**	2,726	550	-	-	-
Non-cash items included within liquidity portfolio						
Trading securities	**(5,980)**	(1,846)	(3,624)	-	-	-
Available-for-sale assets	**(1,524)**	(394)	(1,435)	-	-	-
Due from other financial institutions - greater than 90 days	**(1,303)**	(3,607)	(2,358)	-	-	-
Total cash and cash equivalents	**3,200**	7,218	4,766	-	-	-
Reconciliation of cash and cash equivalents to the balance sheets						
Liquid assets	**2,520**	3,382	2,763	-	-	-
Due from other financial institutions - less than 90 days	**680**	3,836	2,003	-	-	-
Total cash and cash equivalents	**3,200**	7,218	4,766	-	-	-

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

35. SIGNIFICANT CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES AS AT 31 MARCH 2010

Controlled entities	Interest %	Date	Nature of business
Airlie Investments Limited[2]	100	30 September	Non-operating company
Alos Holdings Limited	100	30 September	Investment company
ANZ Capel Court Limited (New Zealand Branch)	100	30 September	Securitisation services company
ANZ Capital NZ Limited	100	30 September	Investment company
ANZ Holdings (New Zealand) Limited	100	30 September	Investment company
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management company
ANZ National Bank Limited	100	30 September	Registered bank
ANZ National (Int'l) Limited	100	30 September	Finance company
ANZ National Staff Superannuation Limited	100	30 September	Staff superannuation scheme trustee
ANZ Nominees Limited (New Zealand Branch)	100	30 September	Nominee company
ANZ Securities (NZ) Limited	100	30 September	Nominee company
ANZMAC Securities (NZ) Nominees Limited	100	30 September	Nominee company
APAC Investments Limited	65	30 September	Finance company
Arawata Assets Limited	100	30 September	Property company
Arawata Capital Limited	100	30 September	Investment company
Arawata Finance Limited	100	30 September	Investment company
Arawata Funding Limited	100	30 September	Non-operating company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Securities Limited	100	30 September	Non-operating company
Arawata Trust	-	30 September	Finance entity
Arawata Trust Company	100	30 September	Investment company
BHI Limited	100	30 September	Non-operating company
CBC Finance Limited (incorporated in British Virgin Islands)	100	31 December	Non-operating company
Control Nominees Limited	100	30 September	Finance company
Cortland Finance Limited	100	30 September	Non-operating company
Corvine Investments Limited	100	30 September	Non-operating company
Culver Finance Limited	100	30 September	Non-operating company
Direct Broking Limited	100	30 September	On-line share broker
Direct Nominees Limited	100	30 September	Nominee company
EFTPOS New Zealand Limited	100	30 September	Eftpos service provider
Endeavour Finance Limited	100	30 September	Investment company
Endeavour Securities Limited[2]	100	30 September	Non-operating company
General Finance Custodians Limited	-	31 March	Mortgage finance
Harcourt Corporation Limited	100	30 September	Investment company
Harcourt Investments Limited	100	30 September	Non-operating company
ING (NZ) Holdings Limited[1]	100	31 December	Holding company
ING (NZ) Limited[1]	100	31 December	Finance company
ING (NZ) Nominees Limited[1]	100	31 December	Funds management company
ING Insurance Holdings Limited[1]	100	31 December	Holding company
ING Insurance Services (NZ) Limited[1]	100	31 December	Insurance company
ING Life (NZ) Limited[1]	100	31 December	Insurance company
ING Medical Properties Limited[1]	100	31 March	Management company
ING NZ AUT Investments Limited[1]	100	31 December	Holding company
ING Property Trust Management Limited[1]	100	31 March	Management company
ING Diversified Yield Fund[1] (incorporated in Australia)	99	30 June	Fixed income fund
ING Regular Income Fund[1] (incorporated in Australia)	99	30 June	Fixed income fund
Karapiro Investments Limited	100	30 September	Non-operating company
Kingfisher NZ Trust 2008-1	-	30 September	Finance entity
National Bank of New Zealand Custodians Limited	100	30 September	Nominee and custody services
NBNZ Finance Limited	100	30 September	Non-operating company
NBNZ Holdings Hong Kong Limited (incorporated in Hong Kong)	100	31 December	Non-operating company
NBNZ Holdings Limited	100	30 September	Non-operating company
OneAnswer Nominees Limited[1]	100	31 December	Finance company
Origin Mortgage Management Services Limited	-	31 March	Mortgage finance
Origin Mortgage Management Services (2008) Limited	-	31 March	Mortgage finance
Private Nominees Limited	100	30 September	Nominee company
Radiola Corporation Limited	100	30 September	Distribution company
Rural Growth Fund Limited	100	30 September	Investment company
Samson Funding Limited	100	30 September	Finance company
Sefton Finance Limited [2]	100	30 September	Non-operating company
Silver Fern Life Brokers Limited[1]	100	31 December	Non-operating company
South Pacific Merchant Finance Limited	100	30 September	Investment company
Southpac Corporation Limited	100	30 September	Investment company
Trillium Holdings Limited	100	30 September	Non-operating company
Tui Endeavour Limited	100	30 September	Non-operating company
Tui Securities Limited	100	30 September	Non-operating company
UDC Finance Limited	100	30 September	Finance company

1. Controlling stake acquired on 30 November 2009.
2. Currently being wound up.

35. SIGNIFICANT CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES AS AT 31 MARCH 2010 (Continued)

All controlled entities are incorporated in New Zealand, unless stated.

The ownership interest percentage may be held either directly or through other controlled entities of the Ultimate Parent Bank.

For all controlled entities, with the exception of General Finance Custodians Limited, Origin Mortgage Management Services Limited and Origin Mortgage Management Services (2008) Limited, the ownership interest percentage equates to the voting power held. In relation to these companies, control exists through the NZ Banking Group having 100% of the voting rights.

In relation to Arawata Trust control exists through ANZ National Bank Limited being trustee of the Trusts. In relation to Kingfisher NZ Trust 2008-1 control exists as the Banking Group retains substantially all the risks and rewards of the operations.

Movements in controlled entities
In October 2008, Kingfisher Trust 2008-1 was established.

In October 2008, ETRADE New Zealand Limited, ETRADE New Zealand Securities Limited and ETRADE New Zealand Securities Nominees Limited were deregistered.

In April 2009, the Bank ceased to control Marmion Trust. Control previously existed through the undertaking of the majority of risks and rewards relating to a particular transaction. This transaction was unwound in April 2009.

On 30 November 2009 the Bank acquired control over ING NZ and its subsidiary companies which had previously been treated as jointly controlled entities.

Associates

Associates	Unaudited 31/03/2010 Book Value $m	Unaudited 31/03/2009 Book Value $m	Audited 30/09/2009 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Cards NZ Limited	**85**	87	85	30	15	30 September	Card services
Paymark Limited	**2**	2	2	25	25	31 March	Eftpos settlements
Bennetts Financial Services Limited	**1**	-	-	20	20	31 March	Financial services
ING Diversified Yield Fund	-	-	46	49	49	30 June	Fixed income fund
ING Regular Income Fund	-	-	21	49	49	30 June	Fixed income fund
NZ Poultry Enterprises Limited	**41**	41	41	20	20	30 April	Poultry processor
UCG Investments Limited	**10**	15	13	40	40	31 March	Rest home operator
Wyma Engineering (NZ) Limited	**3**	3	3	31	31	31 March	Agricultural machinery supplier
Total investment in associates	**142**	148	211				

All associates are incorporated in New Zealand, excluding the ING Diversified Yield Fund and ING Regular Income Fund which are incorporated in Australia.

Movements in associates
In August 2009, the Banking Group acquired an interest in the ING Diversified Yield Field and ING Regular Income Fund.

In September 2009, Electronic Transactions Services Limited changed its name to Paymark Limited.

On 30 November 2009 the Bank acquired control over ING NZ and its subsidiaries. This acquisition gave the Bank control over the ING Diversified Yield Fund and the ING Regular Income Fund which had been previously treated as investments in associates.

35. SIGNIFICANT CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES AS AT 31 MARCH 2010 (Continued)

Jointly controlled entities

Jointly controlled entities	**Unaudited 31/03/2010 Book Value $m**	Unaudited 31/03/2009 Book Value $m	Audited 30/09/2009 Book Value $m	Voting Interest %	Ownership Interest %	Balance Date	Nature of business
Argenta Limited	**1**	2	2	21	21	31 July	Manufacture and marketing of animal remedies
BCS Group Limited	**1**	3	2	40	40	30 June	Manufacturer of baggage handling systems
ING (NZ) Holdings Limited	-	242	248	50	49	31 December	Funds management and insurance
JMI Aerospace Limited	-	1	1	33	33	31 March	Airline maintenance and service provider
Total investment in jointly controlled entities	**2**	248	253				

All jointly controlled entities are incorporated in New Zealand. The Banking Group has joint control of all these entities due to a combination of control factors, none of which gives either party overall control.

On 30 November 2009 the Bank acquired control over ING and its subsidiaries. This acquisition gave the Bank control over ING (NZ) Holdings Limited which had been previously treated as an investment in a jointly controlled entity. In December 2009 the Banking Group disposed of its investment in JMI Aerospace Limited.

The summarised financial information relating to the NZ Banking Group's investment in ING (NZ) Holdings Limited prior to it becoming a subsidiary is as follows:

	NZ Banking Group		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Share of assets and liabilities			
Investments	-	67	91
Other assets	-	179	171
Total assets	-	246	262
Life insurance policy liabilities	-	(36)	(46)
Other liabilities	-	46	63
Total liabilities	-	10	17
Net assets	-	236	245
Share of revenue, expenses and results			
Net underwriting result	**16**	43	84
Other revenue	**4**	7	32
Total revenue	**20**	50	116
Expenses	**15**	46	108
Profit before income tax	**5**	4	8
Income tax credit	**(1)**	(2)	(5)
Profit after tax	**6**	6	13
Share of commitments			
Lease commitments	-	17	17

There are no unrecognised losses in respect of any of the NZ Banking Group's jointly controlled entities. The NZ Banking Group's share of the contingent liabilities of its joint ventures are incurred jointly with other investors. Other than as referred to in Note 38, there were no material contingent liabilities as at 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil).

36. 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 that could issue securities meeting the RBNZ criteria. The establishment of the facility resulted in the ANZ National Bank Limited financial statements recognising a payable and receivable of equal amount to Kingfisher NZ Trust 2008-1 . These assets 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 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. ANZ National Bank Limited 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.

Some funds under management are invested in products owned or securities issued by the NZ Banking Group and are recorded as liabilities in the balance sheet. At 31 March 2010, $2,715 million of funds under management were invested in the NZ Banking Group's own products or securities (31/03/2009 $2,735 million; 30/09/2009 $2,664 million).

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

The aggregate value of funds managed by the NZ Banking Group at balance date was:

	NZ Banking Group		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Funds managed by ING	**6,992**	-	-
Bonus Bonds	**2,919**	2,611	2,889
Discretionary funds	**4,697**	4,251	4,360
Totals funds under management	**14,608**	6,862	7,249

Custodial services

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

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 business on arm's length terms which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the NZ Banking Group (31/03/2009 $nil; 30/09/2009 $nil).

Insurance business

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

The insurance business comprises risk transfer and investment contract life insurance products. The aggregate insurance business conducted by companies in the NZ Banking Group comprises assets totalling $333 million (31/3/2009: $nil; 30/9/2009: $nil) which is 0.3% (31/12/09: 0.0%; 30/9/09: 0.0%) of the total consolidated assets of the NZ Banking Group.

Risk management

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

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

In addition, the following measures have been taken to manage any risk to the NZ Banking Group 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 entities within the NZ Banking Group;
- the policies are subject to investment risk, including possible loss of income and principal; and
- entities within the NZ Banking Group do not guarantee the capital value or performance of the policies.

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

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

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

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

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

37. COMMITMENTS

	NZ Banking Group			NZ Branch		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Capital expenditure						
Contracts for outstanding capital expenditure:						
Premises and equipment						
Not later than 1 year	**11**	22	19	**-**	-	-
Total capital expenditure commitments	**11**	22	19	**-**	-	-
Lease rentals						
Future minimum lease payments under non-cancellable operating leases:						
Premises and equipment						
Not later than 1 year	**88**	86	82	**-**	-	-
Later than 1 year but not later than 5 years	**165**	156	155	**-**	-	-
Later than 5 years	**38**	31	31	**-**	-	-
Total lease rental commitments	**291**	273	268	**-**	-	-
Total commitments	**302**	295	287	**-**	-	-

38. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS

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 exposure is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

	NZ Banking Group Face or contract value			NZ Branch Face or contract value		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m	**Unaudited 31/03/2010 $m**	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Credit related commitments						
Commitments with certain drawdown due within one year	**566**	732	735	**-**	-	-
Commitments to provide financial services	**21,344**	22,609	22,128	**36**	-	34
Total credit related commitments	**21,910**	23,341	22,863	**36**	-	34
Contingent liabilities						
Financial guarantees	**1,716**	1,913	1,753	**-**	-	-
Standby letters of credit	**62**	374	341	**-**	-	-
Transaction related contingent items	**977**	1,083	982	**-**	-	-
Trade related contingent liabilities	**84**	65	89	**-**	-	-
Total contingent liabilities	**2,839**	3,435	3,165	**-**	-	-

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.

A summary of other contingent liabilities is set out below.

Commerce Commission

The Bank is aware that the Commerce Commission is looking at credit contract fees under the Credit Contracts and Consumer Finance Act 2003 ("CCCFA"). In its 2009-2012 Statement of Intent the Commission stated that:

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

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

ING NZ Funds

The Bank markets and distributes a range of wealth management products in New Zealand. The products are manufactured and managed by ING NZ. Trading in two of the products, the ING Diversified Yield Fund and the ING Regular Income Fund (together, "the Funds"), was suspended on 13 March 2008, due to deterioration in the liquidity and credit markets. Units in the Funds were sold by the Bank to its customers.

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

38. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS (Continued)

The Commerce Commission is separately investigating both the Bank and ING NZ in respect of their roles in manufacturing, managing and selling of the Funds. On 15 April 2010, the Commission said that it has reached a decision on whether it will prosecute the Bank over the promotion of the Funds but is not publicly releasing the outcome yet. The Commission commented:

"We are involved in ongoing discussions with the ANZ and won't be making any further comment until those discussions are complete"

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

Other contingent liabilities

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate. As at 31 March 2010, there were no other contingent assets or liabilities required to be disclosed (31/03/2009 $nil; 30/09/2009 $nil).

39. EMPLOYEE SHARE AND OPTION PLANS

The NZ Banking Group participates in the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan operated by the ANZ Banking Group. Any shares or options granted under these plans are shares in ANZ.

The closing market price of one ordinary share of ANZ quoted on the Australian Stock Exchange ("ASX") at 31 March 2010 was A$25.36 (31/03/2009 A$15.75; 30/09/2009 A$24.39).

ANZ EMPLOYEE SHARE ACQUISITION PLAN

The ANZ Employee Share Acquisition Plan includes the A$1,000 Share Plan, the Deferred Share Plan and the Restricted Share Plan.

A$1,000 share plan

Each permanent employee who has had continuous service for one year with the NZ Banking Group is eligible to participate in a scheme enabling the issue of up to A$1,000 of shares of ANZ in each financial year, subject to the approval of the Ultimate Parent Bank Board. The shares vest subject to satisfaction of a three year service period but may be forfeited in the event of resignation or termination for serious misconduct. On expiration of that period, an employee may sell the shares, transfer them into their name, or have them retained in trust. The issue price is based on the one-day volume weighted average price ("VWAP") of the shares traded on the ASX on the date of issue.

The NZ Banking Group's employees are required to pay NZ 1 cent per share soon after the issuing of the shares. During the six months to 31 March 2010, 358,313 shares with an average issue price of A$22.02 were issued under the A$1,000 Share Plan (31/03/2009 540,305 shares with an average issue price of A$14.94 were issued; 30/09/2009 540,305 shares with an average issue price of A$14.94 were issued).

Deferred share plan

The NZ Banking Group's last issue of shares under this plan was in November 2004. Selected employees were issued deferred shares, which vest subject to satisfaction of a minimum three year service period from the date of issue. Ordinary shares issued under this plan may be held in trust for up to 10 years, and may be required to meet performance hurdles before being able to be traded after the restriction period has expired. The issue price is based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including the date of issue. Unvested shares are forfeited on resignation or dismissal, or if a performance condition has not been met.

Restricted share plan

Restricted Shares are available to selected employees and are issued under the ANZ Employee Share Acquisition Plan. Selected employees have the option to take some (or all) of their incentive payment as Restricted Shares. The shares are held in trust and may not be traded until the conclusion of the one-year restriction period, after which they may be transferred into the employee's name. Until they are transferred into the employee's name, they continue to be subject to forfeiture on termination for serious misconduct.

39. EMPLOYEE SHARE AND OPTION PLANS (Continued)

Shares valuations
The fair value of services received in return for shares in the ANZ Employee Share Acquisition Plan are measured by referring to the fair value of shares granted. The fair value of shares granted in the current period, measured at the date of grant of the shares, is $10 million based on 358,313 shares at a weighted average price of A$22.02 converted at the exchange rate of 0.7999 (31/03/2009 $10 million based on 540,305 shares at a weighted average price of A$14.94 converted at the exchange rate of 0.8232 were issued; 30/09/2009 NZ $10 million based on 540,305 shares at a weighted average price of A$14.94 converted at the exchange rate of 0.8232 were issued).

The average issue price of shares granted and the number of shares that are expected to ultimately vest to the employees at the end of the vesting period are used to calculate the fair value of shares. No dividends are incorporated into the measurement of the fair value of shares.

ANZ SHARE OPTION PLAN
Selected employees may be granted options, which entitle them to purchase ordinary fully paid shares in ANZ at a price fixed at the time when the options were issued. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. Each option entitles a holder to purchase one ordinary share subject to any terms and conditions imposed on issue. The exercise price of the options (excluding zero-priced options) is determined in accordance with the rules of the plan, and is based on the weighted average price of the Ultimate Parent Bank's shares traded during the five business days preceding the date of granting the options.

The main schemes of the ANZ Share Option Plan are as follows:

Current option plans

Special Retention Deferred Share Rights
This is a program available to certain Banking Group employees. It grants the right to acquire shares at nil cost subject to satisfactorily meeting the time based hurdle. The Special Retention Deferred Share Rights can only be exercised between the third and fifth anniversary of their allocation (the ‘Exercise Period’). In the case of resignation, only rights that become exercisable by the end of the notice period may be exercised. A grace period is provided in which to exercise the rights. All other rights will lapse. In the case of termination on notice, retrenchment, retirement, death or total and permanent disablement, a grace period is provided in which to exercise all deferred share rights.

Performance rights plan
This scheme is a long term incentive program available to certain NZ Banking Group employees since November 2005 and grants the right to acquire shares at nil cost, subject to a three year vesting period and a Total Shareholder Return ("TSR") performance hurdle. The proportion of rights that will become exercisable will depend upon the TSR achieved by ANZ relative to the companies in the comparator group, which consists of selected major financial services companies in the Standard & Poor's and ASX 100 Index. Performance equal to the median TSR of the comparator group will result in half the rights becoming exercisable. Performance above the median will result in further performance rights becoming exercisable, increasing on a straight line basis until all of the rights become exercisable where ANZ's TSR is at or above the 75th percentile in the comparator group.

The TSR hurdle will only be tested once at the end of the three-year vesting period. If the rights do not pass the hurdle on testing date, or if they pass the hurdle on testing date and are not exercised by the end of five years from the grant date, the rights will lapse. In the case of resignation or termination on notice, only rights that become exercisable by the end of the notice period may be exercised. A grace period is provided in which to exercise the rights. All other rights will lapse. In the case of retrenchment or retirement, performance rights will be performance tested at the date of termination and where performance hurdles have been met, performance rights will be pro-rated and a grace period provided in which to exercise the rights. In case of death or total and permanent disablement, a grace period is provided in which to exercise all performance rights.

39. EMPLOYEE SHARE AND OPTION PLANS (Continued)

LTI Deferred Share Rights

This scheme is a long term incentive program available to certain Banking Group employees and grants the right to acquire a share at nil cost, subject to satisfactorily meeting the time based hurdle. The LTI Deferred Share Rights can only be exercised between the third and fifth anniversary of their allocation (their 'Exercise Period'). In the case of resignation, all unvested LTI Deferred Share Rights (in addition to any vested unexercised rights) as at the time notice of resignation is given, will be forfeited. In case of termination on notice by ANZ, all unvested LTI Deferred Share Rights as at the time notice of termination of notice is received, will be forfeited. Any vested unexercised LTI Deferred Share Rights will be delivered as shares. In case of retrenchment (redundancy), any unvested LTI Deferred Share Rights as at the termination date will be pro-rated and be delivered as shares. In case of death or total and permanent disablement, all LTI Deferred Share Rights will vest and be delivered as shares.

Deferred share rights

This scheme is a short term incentive program available to certain NZ Banking Group employees since November 2004 and grants the right to acquire shares at nil cost after a specified vesting period ranging from one to three years. Deferred share rights must be exercised by the seventh anniversary of grant date. In the case of resignation, only rights that become exercisable by the end of the notice period may be exercised. A grace period is provided in which to exercise the rights. All other rights will lapse. In the case of termination on notice, retrenchment, retirement, death or total and permanent disablement, a grace period is provided in which to exercise all deferred share rights.

Deferred share options

This scheme is a part of the short term incentive program available whereby certain Banking Group employees receive a mandatory deferred bonus under ANZ's Short Term Incentive ("STI") program. The options can only be exercised between the first and fifth anniversary (one-year deferred options) and between the second and fifth anniversary (two-year deferred options) of the grant date (exercise period) and subject to the requirement that the share price is greater than the exercise price. In the case of dismissal for serious misconduct, irrespective of whether it is on notice or not, all unvested STI deferred options and any vested unexercised options will be forfeited. In the case of resignation, all unvested STI deferred options and any vested unexercised options as at the time notice of resignation is given will be forfeited. In the case of redundancy, retrenchment, death or total and permanent disablement, all STI deferred options will vest and a grace period is provided in which to exercise all deferred share options.

Legacy option plans

Performance options plan

This scheme is a long term incentive program available to certain NZ Banking Group employees. The options can only be exercised after a three year vesting period and before the seventh anniversary of the grant date. There are no other performance conditions attached to these options. All unexercised options are generally forfeited on resignation but any options to which the NZ Banking Group employee is entitled will need to be exercised within a specified period of termination. On retrenchment, entitlements to options will be pro-rated over the three year vesting period. On death or total and permanent disablement, all unvested options will become available for exercise. No further performance options have been granted to NZ Banking Group employees after November 2005.

39. EMPLOYEE SHARE AND OPTION PLANS (Continued)

Zero-price options ("ZPO")

A ZPO is a right to acquire an ANZ share at nil cost and is granted to certain employees as part of their employment contracts. The ZPO's have no time based vesting criteria, so can be exercised at any time during employment and within 6 months of termination of employment. ZPO's must be exercised within two years of grant date or they lapse.

Other past option plans which are no longer available to the NZ Banking Group's employees, but continue to be amortised during their appropriate vesting periods are hurdled options and index linked options ("ILOs").

Details of the options over unissued ANZ ordinary shares and their related weighted average exercise prices as at the beginning and end of the period and movements during the period are set out below:

	NZ Banking Group					
	Unaudited 31/03/2010		Unaudited 31/03/2009		Audited 30/09/2009	
	Number of shares	**Weighted average exercise price[1] A$**	Number of shares	Weighted average exercise price[1] A$	Number of shares	Weighted average exercise price[1] A$
Share options at beginning of the period	**2,067,345**	**8.32**	1,741,771	10.86	1,741,771	10.86
Share options granted	**494,168**	**1.39**	709,805	2.51	709,805	2.51
Share options exercised	**(300,938)**	**6.90**	(66,823)	1.28	(109,936)	5.73
Share options forfeited and expired	**(99,556)**	**1.25**	(150,781)	3.68	(274,295)	10.44
Share options at end of the period	**2,161,019**	**7.00**	2,233,972	8.98	2,067,345	8.32
Weighted average share price during the period		**22.65**		14.86		16.53
Range of exercise prices on share options at end of the period		**0.00 - 23.49**		0.00 - 23.49		0.00 - 23.49
Weighted average remaining contractual life on share options at end of the period		**36 months**		39 months		35 months

1. Calculation of weighted average exercise prices are affected by performance rights, deferred share rights and ZPO plans which have nil exercise prices.

Options valuations

The fair value of services received in return for share options are measured by referring to the fair value of share options granted. The fair value of options granted in the current period, measured at the date of grant are calculated using one of the following models:

a. Monte-Carlo simulation model utilising the assumptions underlying Black-Scholes. In terms of factoring in early exercise, the model assumes that deferred share rights and performance rights are exercised as soon as they vest so that the option holder can benefit from the dividends. It assumes that the performance options are exercised when the share price reaches twice the exercise price; or
b. An adjusted form of the Binomial Option pricing model ("BOM"). In terms of factoring in early exercise, the model assumes that the expected life of vanilla options is 5 years, performance rights is 4 years and that deferred share rights are exercised immediately to account for lack of marketability.

In addition, both models are designed such that they take into account as appropriate, any performance hurdles and non-transferability of the options.

The following inputs are used to measure the fair value of instruments granted during the period. All prices are quoted in Australian dollars:

Option type	STI deferred share rights	STI deferred share rights	LTI deferred share rights	Performance rights	Share options	Share options
Grant date	13/11/2009	13/11/2009	13/11/2009	13/11/2009	13/11/2009	13/11/2009
Number of options	79,646	83,635	259,713	41,084	15,046	15,044
Option value	21.41	20.39	19.42	12.17	4.83	5.09
Exercise price (5 day VWAP)	$nil	$nil	$nil	$nil	22.8	22.8
Share price at grant ($A)	22.48	22.48	22.48	22.48	22.48	22.48
ANZ expected volatility [2]	35%	35%	35%	35%	35%	35%
Option term	5 years	5 years	5 years	5 years	5 years	5 years
Vesting period	1 year	2 years	3 years	3 years	1 year	2 years
Expected life	1 year	2 years	3 years	3 years	3 years	4 years
Expected dividends	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Risk free interest rate	4.3%	4.7%	5.0%	5.0%	5.0%	5.2%

2. Expected volatility is based on ANZ's historic volatility.

40. RETIREMENT BENEFIT OBLIGATIONS

The NZ Banking Group has established a number of pension and superannuation schemes. The NZ Banking Group may be obliged to contribute to the schemes as a consequence of legislation and provision of trust deeds. Legal enforceability is dependent on the terms of the legislation and the requirements of Scheme Trust Deeds. The major schemes are:

Scheme	Scheme type	Contribution levels Employee	Employer
ANZ National Bank Staff Superannuation Scheme[1]	Defined Benefit Scheme[2]	Nil	Balance of cost[4]
	or		
	Defined Contribution Scheme	2.5% minimum of salary	7.5% of salary[6]
The National Bank Staff Superannuation Fund[1]	Defined Benefit Scheme[3]	5% of salary	Balance of cost[5]
	or		
	Defined Contribution Scheme	2.0% minimum of salary	11.5% of salary[7]

1. These schemes provide for pension benefits and provide for lump sum benefits.
2. Closed to new members on 31 March 1990. Operates to make pension payments to retirees who were members of that section of the scheme or to dependents of the members.
3. Closed to new members on 1 October 1991.
4. 31/03/2010: $nil (31/03/2009 $nil; 30/09/2009 $nil).
5. 31/03/2010: 24.8% (31/03/2009 24.8%; 30/09/2009 24.8%) of members' salaries.
6. 31/03/2010: 7.5% (31/03/2009 7.5%; 30/09/2009 7.5%) of members' salaries.
7. 31/03/2010: 11.5% (31/03/2009 11.5%; 30/09/2009 11.5%) of members' salaries.

Details of the defined benefit schemes are as follows:

Actuarial valuations for financial reporting purposes are undertaken every six months. The latest valuations were carried out as at 31 March 2010.

The amounts recognised in the balance sheet arising from the NZ Banking Group's obligation in respect of its defined benefit schemes are determined as follows:	NZ Banking Group Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Defined benefit obligation at beginning of the period	**174**	179	179
Current service cost	**1**	1	3
Interest cost	**5**	5	11
Contributions by scheme participants	**-**	1	1
Actuarial (gains) losses	**(5)**	(1)	(2)
Benefits paid	**(9)**	(8)	(18)
Present value of funded defined benefit obligations	**166**	177	174
Fair value of scheme assets at beginning of the period	**119**	152	152
Expected return on scheme assets (net of tax)	**4**	4	8
Actuarial losses	**10**	(38)	(27)
Contributions by employer	**6**	1	3
Contributions by scheme participants	**-**	-	1
Benefits paid	**(9)**	(8)	(18)
Fair value of scheme assets	**130**	111	119
Net defined benefit liability recognised on balance sheet	**(36)**	(66)	(55)

The fair value of scheme assets include cash deposits and fixed interest investments of $2 million with the NZ Banking Group as at 31 March 2010 (31/03/2009 $6 million; 30/09/2009 $4 million).

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:

Current service cost/contributions	**1**	1	3
Interest cost	**5**	5	11
Expected return on scheme assets (net of tax)	**(4)**	(4)	(8)
Contribution withholding tax	**2**	1	2
Total pension costs recognised in the income statement - defined benefit superannuation schemes	**4**	3	8

40. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The actuarial gains and losses recognised directly in equity via the statement of recognised income and expense are as follows:

	NZ Banking Group		
	Unaudited 31/03/2010 $m	Unaudited 31/03/2009 $m	Audited 30/09/2009 $m
Actuarial losses (pre-tax) at beginning of the period	**(50)**	(25)	(25)
Actuarial gain / (loss) (pre-tax) incurred	**14**	(39)	(25)
Balance of actuarial losses (pre-tax) at end of the period	**(36)**	(64)	(50)
Income tax expense / (credit) recognised directly in equity	**4**	(11)	(7)
Balance of actuarial losses at end of the period	**(32)**	(75)	(57)

The principal actuarial assumptions used were as follows:

	The National Bank Staff Superannuation Fund			ANZ National Bank Staff Superannuation Scheme		
	Unaudited 31/03/2010	Unaudited 31/03/2009	Audited 30/09/2009	**Unaudited 31/03/2010**	Unaudited 31/03/2009	Audited 30/09/2009
Defined benefits calculation						
Discount rate (gross of tax)	**6.0%**	6.0%	6.0%	**6.0%**	6.0%	6.0%
Future price inflation	**2.5%**	2.5%	2.5%	**2.5%**	2.5%	2.5%
Future pension increases	**2.5%**	2.5%	2.5%	**2.5%**	2.5%	2.5%
Future salary increases	**3.0%**	3.7%		**n/a**	n/a	n/a
2009 & 2010			2.5%			
Post 2010			3.0%			
Scheme assets calculation						
Expected return on scheme assets (net of tax)	**5.5%**	5.5%	5.5%	**4.5%**	4.5%	4.5%

The overall expected return on scheme assets is determined by reference to market expectations at the beginning of the relevant period of asset performance applicable to the period over which the defined benefit obligation is to be settled. The overall expected return on scheme assets reflects an aggregation of the expected returns on the underlying asset classes.

The actual return on scheme assets (net of tax) for The National Bank Staff Superannuation Fund was 7.3% for the six months ended 31 March 2010 (31/03/2009 -10.57%; 30/09/2009 -0.7%). The actual return on scheme assets (net of tax) for the ANZ National Bank Staff Superannuation Scheme was 3.4% for the six months ended 31 March 2010 (31/03/2009 -7.25%; 30/09/2009 0.0%).

The investment return on scheme assets is taxed at 30% (31/03/2009 30%; 30/09/2009 30%).

The major categories of scheme assets as a percentage of the fair value of scheme plan assets are as follows:

	The National Bank Staff Superannuation Fund			ANZ National Bank Staff Superannuation Scheme		
	Unaudited 31/03/2010	Unaudited 31/03/2009	Audited 30/09/2009	**Unaudited 31/03/2010**	Unaudited 31/03/2009	Audited 30/09/2009
Cash and short term debt instruments	**12.1%**	24.0%	14.1%	**2.1%**	13.0%	8.1%
New Zealand fixed interest	**12.9%**	13.7%	12.6%	**20.9%**	28.0%	22.4%
Overseas fixed interest	**23.6%**	20.2%	24.3%	**34.6%**	26.6%	30.6%
Australasian shares	**10.5%**	9.9%	10.4%	**10.8%**	9.2%	10.2%
Overseas shares	**40.9%**	32.2%	38.6%	**26.7%**	19.4%	24.2%
Property fund units	**0.0%**	0.0%	0.0%	**4.9%**	3.8%	4.5%
	100.0%	100.0%	100.0%	**100.0%**	100.0%	100.0%

The benchmark weighting of each asset class is determined by the Trustee in conjunction with the investment manager.

40. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Historical summary

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred in the period) and the effects of changes in actuarial assumptions on valuation date. The history of the schemes' net position and experience adjustments is as follows:

	NZ Banking Group					
	Unaudited 31/03/2010 $m	Audited 30/09/2009 $m	Audited 30/09/2008 $m	Audited 30/09/2007 $m	Audited 30/09/2006 $m	Audited 30/09/2005 $m
Defined benefit obligation	**(166)**	(174)	(179)	(181)	(190)	(187)
Fair value of scheme assets	**130**	119	152	189	196	195
Net benefit (liability) asset	**(36)**	(55)	(27)	8	6	8
Experience adjustments on scheme liabilities	**3**	1	5	(1)	3	-
Experience adjustment on scheme assets	**6**	(20)	(21)	(7)	5	11

Employer contributions

To ensure the defined benefit schemes remain solvent, the schemes' independent actuaries recommend an employer contribution rate to the Banking Group annually for The National Bank Staff Superannuation Fund and every three years for the ANZ National Bank Staff Superannuation Scheme.

The National Bank Staff Superannuation Fund deficit for funding purposes was valued at $50m in the most recent actuarial review at 1 April 2009. The ANZ National Bank Staff Superannuation Scheme surplus was valued at less than $1 million in the most recent actuarial valuation at 31 December 2007.

The Banking Group contributed $6 million (net of contributions withholding tax) to its defined benefit schemes in the period to 31 March 2010 (31/03/2009 $2 million; 30/09/2009 $3 million). Employer contributions are taxed at a maximum rate of 33% (31/03/2009 33%; 30/09/2009 33%).

Contingent liabilities

The National Bank Staff Superannuation Fund

Under the Fund's Trust Deed, if this scheme were wound up, the NZ Banking Group would be required to pay the Trustee of the Fund an amount sufficient to ensure members do not suffer a reduction in benefits to which they would otherwise be entitled.

ANZ National Bank Staff Superannuation Scheme

If the Scheme is wound up then its assets must be cashed up and applied to all members' benefits. If Scheme funds are insufficient to pay all members' benefits then the NZ Banking Group must pay to the Scheme such amounts as the Scheme Actuary determines are necessary to pay those benefits.

41. RELATED PARTY TRANSACTIONS

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $'000	Unaudited 6 months to 31/03/2009 $'000	Audited Year to 30/09/2009 $'000	**Unaudited 6 months to 31/03/2010 $'000**	Unaudited 6 months to 31/03/2009 $'000	Audited Year to 30/09/2009 $'000
Key management personnel						
Key management personnel compensation						
Salaries and short-term employee benefits	**4,401**	5,850	10,748	**-**	-	-
Post-employment benefits	**178**	249	373	**-**	-	-
Other long-term benefits	**51**	40	782	**-**	-	-
Termination benefits	**931**	-	58	**-**	-	-
Share-based payments	**1,751**	1,408	4,339	**-**	-	-
Total compensation of key management personnel	**7,312**	7,547	16,300	**-**	-	-
Loans to key management personnel	**4,743**	3,936	4,424	**-**	-	-
Deposits from key management personnel	**5,604**	5,871	5,543	**-**	-	-

Key management personnel are defined as being Directors and senior management of the NZ Banking Group, those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The information above relating to key management personnel includes transactions with those individuals, their close family members and their controlled entities.

Loans made to and deposits held by key management personnel are made in the course of ordinary business on normal commercial terms and conditions no more favourable than those given to other employees or customers. Loans are on terms of repayment that range between fixed, variable and interest only, all of which have been made in accordance with the NZ Banking Group's lending policies. No provision for credit impairment has been recognised for loans made to key management personnel (31/03/2009 $nil; 30/09/2009 $nil).

All other transactions with key management personnel (including personally related parties) are conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions principally consist of the provision of financial and investment services.

Transactions with the Ultimate Parent Bank and subsidiaries

Details of amounts provided by/to the Ultimate Parent Bank and entities within the NZ Banking Group during the ordinary course of business are set out in the relevant notes to these financial statements. No provision for credit impairment has been recognised during the six months ended 31 March 2010 (31/03/2009 $nil; 30/09/2009 $nil).

The Bank has sold residential mortgage assets to the NZ Branch as detailed in the Net Loans and Advances note.

	NZ Banking Group			NZ Branch		
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Interest income						
- Ultimate Parent Bank	**26**	-	48	-	-	-
Interest expense						
- ANZ Funds Pty Ltd	**35**	55	100	-	-	-
- Ultimate Parent Bank	**319**	158	354	**250**	18	146
Operating expenses						
- Ultimate Parent Bank	**39**	41	91	-	-	-

41. RELATED PARTY TRANSACTIONS (Continued)

Transactions with associates and joint venture entities

During the period the NZ Banking Group conducted transactions with associates and joint venture entities on normal commercial terms and conditions as shown below:

	NZ Banking Group			NZ Branch		
	Unaudited As at 31/03/2010 $m	Unaudited As at 31/03/2009 $m	Audited As at 30/09/2009 $m	**Unaudited As at 31/03/2010 $m**	Unaudited As at 31/03/2009 $m	Audited As at 30/09/2009 $m
Amounts receivable						
- associates	**159**	167	161	**-**	-	-
- joint venture entities	**34**	40	36	**-**	-	-
Amounts payable						
- associates	**-**	85	85	**-**	-	-
	Unaudited 6 months to 31/03/2010 $m	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m	**Unaudited 6 months to 31/03/2010 $m**	Unaudited 6 months to 31/03/2009 $m	Audited Year to 30/09/2009 $m
Interest income						
- associates	**4**	1	2	**-**	-	-
- joint venture entities	**1**	2	3	**-**	-	-
Interest expense						
- associates	**-**	-	4	**-**	-	-
Commission received from ING NZ joint venture	**6**	13	39	**-**	-	-
Costs recovered from ING NZ joint venture	**-**	-	1	**-**	-	-

The NZ Banking Group provides general administration, strategic and governance services to ING (NZ) Limited under a Technical Services Agreement.

A provision for credit impairment of $10 million is recognised for amounts outstanding from associates as at 31 March 2010 (31/03/2009 $6 million; 30/09/2009 $10 million). A credit impairment loss of $nil was charged during the six months ended 31 March 2010 (31/03/2009 $nil charged; 30/09/2009 $5 million charged).

42. BUSINESS COMBINATIONS

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

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

	NZ Banking Group Unaudited
	$m
Fair values of assets acquired and liabilities assumed as at acquisition date (provisional)	
Due from financial institutions	142
Available-for-sale assets	173
Investments relating to insurance business	40
Insurance policy assets	81
Shares in associates	1
Other assets[1]	24
Deferred tax assets	27
Premises and equipment	4
Intangible Assets	223
Total assets	715
Due to financial institutions	30
Payables and other liabilities	27
Current tax liabilities	27
Provisions[2]	114
Total liabilities	198
Net assets	517
Non-controlling interests in the Funds[3]	1
Net assets attributable to the NZ Banking Group	516
Book value of existing equity interests	351
Loss on re-measuring existing equity interests to fair value[4]	(82)
Acquisition date fair value of existing equity interests	269
Cash consideration transferred	247
Total consideration	516
Provisional value of goodwill [5]	-

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

42. BUSINESS COMBINATIONS (CONTINUED)

Included in the NZ Banking Group's Income Statement and Statement of Comprehensive Income since 30 November 2009 is net operating income of $52 million and a profit before tax of $16 million, excluding integration costs, contributed by ING NZ and the Funds. Had ING NZ and the Funds been consolidated from 1 October 2009, the NZ Banking Group's Income Statement and Statement of Comprehensive Income would have included, for the six months ended 31 March 2010, net operating income of $78 million and a profit before tax of $25 million. Acquisition costs were paid by the Ultimate Parent Bank.

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

43. SUBSEQUENT EVENTS

There have been no material subsequent events.

Directorate and Auditors
The address to which any document or communication may be sent to any Director or the Chief Executive Officer, NZ Branch is Australia and New Zealand Banking Group Limited – New Zealand Branch, Level 6, 1 Victoria Street, Wellington, New Zealand. The document or communication should be marked for the attention of that Director or the Chief Executive Officer.

Directors' Interests
The Board of the Overseas Bank has adopted procedures to ensure that conflicts and potential conflicts of interest between the Directors' duties to the Overseas Bank and their own interests are avoided or dealt with. Pursuant to these procedures:

a. each Director should disclose to all Directors any material personal interest they have in any matter which relates to the affairs of the Overseas Bank and any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest. This disclosure should be made as soon as practicable after the Director becomes aware of their interest or the need to make a disclosure; and

b. a Director who has an interest of the type referred to in a) above in a matter that is to be considered at a Directors' meeting, must not vote on the matter nor be present while the matter is considered at the meeting, unless a majority of Directors who do not have such an interest in the matter agree that the interest should not disqualify such Director from being present while the matter is being considered and from voting on the matter. The minutes of the meeting should record the decision taken by the Directors who do not have an interest in the matter.

In addition, Standing Notices about interests are maintained for each Director. If the Director's interests change, the Director shall disclose the change as soon as practicable and an updated Standing Notice shall be tabled at the next Board meeting and recorded in the minutes of that meeting.

Transactions with Directors and the Chief Executive Officer, NZ Branch

There are no transactions entered into by any Director, the Chief Executive Officer, NZ Branch or any immediate relative or close business associate of any Director or the Chief Executive Officer, NZ Branch, with the NZ Branch or any member of the NZ Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Directors' or Chief Executive Officer, NZ Branch, duties as Director or Chief Executive Officer of the NZ Branch and NZ Banking Group.

Changes in Directorships
Since the authorisation date of the previous General Short Form Disclosure Statement on 24 February 2010, there have been no changes to Directors of the Bank.

Board Members as at 25 May 2010

The names, qualifications, occupation, country of residence and material external directorships of each director of the Overseas Bank as at the date this General Disclosure Statement was signed were:

Chairman

John Powell Morschel
DipQS, FAICD
Company Director
Sydney, Australia

Mr Morschel is Chair of the Governance Committee and an ex-officio member of all other Board Committees

External Directorships
Director: CapitaLand Limited, Singapore Telecommunications Limited, Tenix Group Pty Limited and Gifford Communications Pty Limited

Chief Executive Officer – Australia and New Zealand Banking Group Limited

Michael Roger Pearson Smith, OBE
BSc (Hons)
Chief Executive Officer and Executive Director
Melbourne, Australia

External Directorships
Director: The Financial Markets Foundation for Children
Member: Chongqing Mayor's International Economic Advisory Council, Australian Bankers' Association Incorporated, Asia Business Council, Financial Literacy Advisory Board, Visa Asia Pacific Senior Advisory Council, Shanghai International Financial Advisory Council and the Business Council of Australia
Fellow: The Hong Kong Management Association

Non-Executive Directors

Dr Gregory John Clark
BSc (Hons), PhD, FAPS, FTSE

Company Director
Based in New York, United States of America and also resides in Sydney, Australia

Dr Clark is Chair of the Technology Committee and a member of the Governance Committee and Human Resources Committee

External Directorships
Chairman: KaComm Communications Pty Limited
Director: Eircom Holdings Limited
Principal: Clark Capital Partners

Ian John Macfarlane, AC
BEc (Hons), MEc, Hon DSc (Syd), Hon DSc (UNSW), Hon DCom (Melb), Hon DLitt (Macq), Hon LLD (Monash)
Company Director
Sydney, Australia

Mr Macfarlane is Chair of the Risk Committee and a member of the Governance Committee and Technology Committee

External Directorships
Director: Woolworths Limited, Leighton Holdings Limited and Lowy Institute for International Policy
Member: Council of International Advisors to the China Banking Regulatory Commission, International Advisory Board of Goldman Sachs JB Were and International Advisory Board of CHAMP Private Equity

Peter Algernon Franc Hay
LLB (Melb)
Company Director
Melbourne, Australia

Mr Hay is a member of the Audit Committee, Human Resources Committee and Risk Committee

External Directorships
Chairman: Advisory Board of Lazard Pty Ltd
Director: Alumina Limited, Landcare Australia Limited, GUD Holdings Limited, NBN Co Limited, Myer Holdings Limited and Myer Pty Ltd
Member: Australian Government Takeovers Panel

David Edward Meiklejohn, AM
BCom, Dip Ed, FCPA, FAICD, FAIM
Company Director
Melbourne, Australia

Mr Meiklejohn is Chair of the Audit Committee and a member of the Human Resources Committee and Risk Committee

External Directorships
Chairman: PaperlinX Limited
Director: Coca Cola Amatil Limited and Mirrabooka Investments Limited
President: Melbourne Cricket Club

Lee Hsien Yang
MSc, BA
Company Director
Singapore

Mr Lee is a member of the Risk Committee and Technology Committee

External Directorships
Chairman: Fraser & Neave, Limited, Asia Pacific Investments Pte Ltd and Civil Aviation Authority of Singapore
Director: Singapore Exchange Limited, The Islamic Bank of Asia Limited and Kwa Geok Choo Pte Ltd
Member: Governing Board of Lee Kuan Yew School of Public Policy, Rolls Royce International Advisory Council and Merrill Lynch PacRim Advisory Council
Consultant: Capital International Inc Advisory Board

Alison Mary Watkins
BCom, FCA, F Fin, MAICD
Chief Executive Officer – Bennelong Group
Melbourne, Australia

Ms Watkins is Chair of the Human Resources Committee and a member of the Audit Committee and Risk Committee

External Directorships
Director: Bennelong Group & related entities, Woolworths Limited, Yarra Capital Partners Pty Ltd, AICD Victorian Council and The Nature Conservancy Australian Advisory Board
Member: Australian Government Takeovers Panel

Chief Executive Officer, Australia and New Zealand Banking Group – New Zealand Branch
Susan Ruth Peterson
BCom, LLB
Chief Executive Officer & Managing Director, NZ Branch
Auckland, New Zealand

External Directorships
Director: IHC New Zealand

Auditors

KPMG
Chartered Accountants
10 Customhouse Quay
P O Box 996
Wellington, New Zealand

Conditions of Registration, applicable as at 25 May 2010.

There have been no changes in the Bank's conditions of registration since the issuance of the last General Short form Disclosure Statement dated 24 February 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CREDIT RATING INFORMATION

Credit Ratings applicable as at 25 May 2010

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

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

On 20 May 2010, Fitch changed the outlook on ANZ Banking Group Limited from Stable to Positive. On 2 March 2009, Moody's changed the outlook on ANZ Banking Group Limited from Stable to Negative. Moody's commented at the time "The negative outlook reflects the potential for the deepening global economic downturn to have a protracted impact on the banks' asset quality and earnings". During the two-year period ended 31 March 2010 there were no other changes to the Overseas Bank's credit ratings or qualifications.

Description of Credit Rating grades

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

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

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 6, 1 Victoria Street, 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.

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 (Full and Half Year - 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 six months ended 31 March 2010:

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

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

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

J P Morschel
Chairman

S R Peterson
Chief Executive Officer, NZ Branch

KPMG

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 8 to 114 prepared and disclosed in accordance with Clause 23 of the Registered Bank Disclosure Statement (Full and Half-Year – Overseas Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 3 to 8. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of Australia and New Zealand Banking Group Limited - New Zealand Branch and its related entities (the NZ Banking Group') and their financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on page 13 to 26.

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 23 of the Order which give a true and fair view of the financial position of the NZ Banking Group as at 31 March 2010 and its financial performance and cash flows for the six 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 4, 6 to 8 and Clauses 19 and 20 of Schedule 3 of the Order.

Reviewers' responsibilities

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Schedules 4, 6 to 8 and Clauses 19 and 20 of Schedule 3 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 5 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 5 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 28, 30, 31 and 36) do not present a true and fair view of the financial position of the NZ Banking Group as at 31 March 2010 and its financial performance and cash flows for the six months ended on that date;

b. the supplementary information disclosed in Notes 30, 31 and 36 prescribed by Schedules 4, 6 to 8 and Clauses 19 and 20 of Schedule 3 of the Order is not fairly stated in accordance with those Schedules; and

c. the supplementary information relating to Capital Adequacy disclosed in Note 28 of the interim financial statements, as required by Schedule 5 of the Order, is not in all material respects prepared in accordance with Capital Adequacy Framework (Basel 1 Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A), and disclosed in accordance with Schedule 5 of the Order.

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

KPMG

Wellington

INDEX