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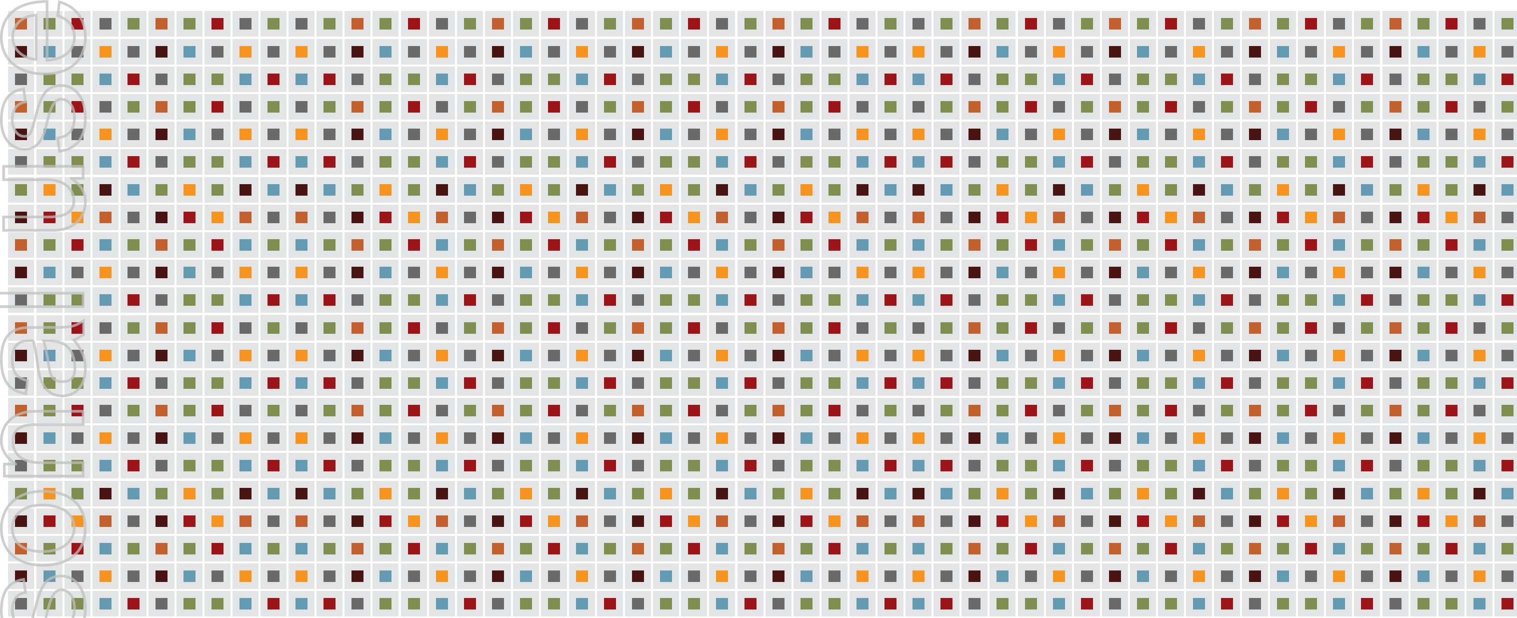
ANZ NATIONAL BANK LIMITED GROUP

GENERAL DISCLOSURE STATEMENT



For the six months ended 31 March 2008

Number 49 Issued June 2008

ANZ NATIONAL
FINANCIAL GROUP

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ANZ NATIONAL BANK LIMITED GROUP

GENERAL DISCLOSURE STATEMENT

FOR THE SIX MONTHS
ENDED 31 MARCH 2008

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GENERAL DISCLOSURES

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This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 ('the Order').

In this Disclosure Statement unless the context otherwise requires:

a) "Banking Group" means ANZ National Bank Limited and all its subsidiaries; and

b) any term or expression which is defined in, or in the manner prescribed by, the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 shall have the meaning given in or prescribed by that Order.

GENERAL MATTERS

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

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

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

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

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

NATURE OF BUSINESS

The principal activities of the Banking Group during the period were retail, corporate and rural banking, mortgage lending, asset and general finance, international and investment banking, nominee and custodian services. Life insurance and funds management activities are carried out through the ING New Zealand joint venture.

With the sale of Truck Leasing Limited, the Banking Group no longer has significant operating lease activities.

MATERIAL FINANCIAL SUPPORT

In accordance with the requirements issued by the Australian Prudential Regulatory Authority ('APRA') pursuant to the Prudential Standards, Australia and New Zealand Banking Group Limited, as the Ultimate Parent Bank, may not provide material financial support to the Bank[1] contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
  - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in cases approval) is required before entering exceptionally large exposures; and
- the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank.
- the level of exposure to the Bank not exceeding:
  - 60% on an individual exposure basis[2]; and
  - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank)

  of the Ultimate Parent Bank's capital base.

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

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

1. Note that for material financial support purposes, the APRA requirements include any exposures to the Bank's parent company, ANZ Holdings (New Zealand) Limited.
2. For the period 1 January 2008 to 31 December 2008, APRA have approved a 60% individual exposure limit to the Bank. Otherwise, the individual exposure limit is 50%.

GENERAL DISCLOSURES
(CONTINUED)

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PENDING PROCEEDINGS OR ARBITRATION

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

The Banking Group has received amended tax assessments from the New Zealand Inland Revenue Department ('IRD') in respect of its review of certain structured finance transactions. The Banking Group is confident, based on independent tax and legal advice obtained, that its tax treatment of these transactions is correct and disagrees with the IRD's position.

The Commerce Commission has brought proceedings under the Commerce Act 1986 against Visa, MasterCard and all New Zealand issuers of Visa and MasterCard credit cards, including the Bank. Several major New Zealand retailers have also issued proceedings. The Bank is defending the proceedings. At this stage any potential liabilities cannot be assessed.

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

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

Further details on pending proceedings or arbitration are set out in Note 43 Contingent Liabilities and Credit Related Commitments.

OTHER MATERIAL MATTERS

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

GUARANTORS

The material obligations of the Bank are not guaranteed.

SUMMARY OF FINANCIAL STATEMENTS

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	Consolidated					
	NZ IFRS Unaudited 6 months to 31/03/2008 $m	NZ IFRS[1] Audited Year to 30/09/2007 $m	NZ IFRS[1,2] Audited Year to 30/09/2006 $m	NZ IFRS[1,2] Audited Year to 30/09/2005 $m	Previous GAAP[3] Audited Year to 30/09/2004 $m	Previous GAAP Audited Year to 30/09/2003 $m
CONTINUING OPERATIONS						
Interest income	**4,794**	8,309	7,206	6,009	4,481	1,980
Interest expense	**3,656**	6,059	5,077	4,069	2,797	1,220
Net interest income	**1,138**	2,250	2,129	1,940	1,684	760
Other operating income	**589**	861	802	794	751	453
Operating income	**1,727**	3,111	2,931	2,734	2,435	1,213
Operating expenses	**672**	1,331	1,323	1,312	1,265	559
Profit before provision for credit impairment and income tax	**1,055**	1,780	1,608	1,422	1,170	654
Collective provision charge (credit)	**46**	20	(10)	121	133	61
Individual provision charge[4]	**47**	54	28	-	-	-
Provision for credit impairment	**93**	74	18	121	133	61
Profit before income tax	**962**	1,706	1,590	1,301	1,037	593
Income tax expense	**270**	614	523	398	357	176
Profit after income tax from continuing operations	**692**	1,092	1,067	903	680	417
DISCONTINUED OPERATIONS						
Profit from discontinued operations (net of income tax)	**-**	76	5	14	-	-
Profit after income tax	**692**	1,168	1,072	917	680	417
Retained profits at beginning of the period	**2,677**	2,235	2,003	1,438	958	841
Adjustment on adoption of NZ IFRS on 1 October 2004	**-**	-	-	4	-	-
Adjustment on adoption of NZ IAS 39 on 1 October 2005	**-**	-	61	-	-	-
Total available for appropriation	**3,369**	3,403	3,136	2,359	1,638	1,258
Actuarial (loss) gain on defined benefit schemes after tax	**(8)**	2	(1)	4	-	-
Interim ordinary dividends paid	**-**	(728)	(900)	(360)	(200)	(300)
Retained profits at end of the period	**3,361**	2,677	2,235	2,003	1,438	958
Total impaired assets (on-balance sheet and off-balance sheet)	**177**	121	159	220	123	25
Total assets	**112,514**	107,787	95,814	85,501	74,212	29,362
Total liabilities	**103,133**	99,084	87,581	77,555	66,831	27,998
Equity	**9,381**	8,703	8,233	7,946	7,381	1,364

The amounts included in this summary have been taken from the audited financial statements of the Banking Group with the exception of the amounts for the six months ended 31 March 2008 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. For further details, refer to Note 10 Discontinued Operations.
2. On 1 October 2005, the Banking Group adopted New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). In accordance with NZ IFRS, comparative information was restated using the new accounting standards from 1 October 2004. As permitted by the transitional provisions set out in NZ IFRS 1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, management has elected not to restate comparative information for the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation ('NZ IAS 32') and NZ IAS 39 Financial Instruments: Recognition and Measurement ('NZ IAS 39'). Refer to Note 52 Explanation of Transition to NZ IFRS in the 30 September 2006 General Disclosure Statement for an explanation of the Banking Group's transition to NZ IFRS and the adjustments required to comply with NZ IFRS.
3. On 1 December 2003, the Banking Group acquired all of the shares of NBNZ Holdings Limited ('NBNZ Group'). The results and financial position of NBNZ Group have been included in the Banking Group since that date. For further details, refer to Note 14 Acquisition of Subsidiaries in the 30 September 2004 General Disclosure Statement.
4. The RBNZ's guidelines require the Banking Group to show the individual provision charge to profit as the 'impaired asset expense'. Prior to adopting NZ IFRS on 1 October 2005, under the Banking Group's Bad and Doubtful Debts policy, the required individual provision was not charged to profit, but was transferred from the collective provision balance. The Banking Group's provision for credit impairment, which represented the expected average annual loss on principal over the economic cycle for the lending portfolio, was credited to the collective provision. Under NZ IFRS, there is no longer a transfer between the collective and individual provisions. Further detail on the provision for credit impairment is set out in Note 15 Provision for Credit Impairment.

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2008

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		Consolidated			Parent		
	Note	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
CONTINUING OPERATIONS							
Interest income	4	**4,794**	3,923	8,309	**4,689**	3,777	8,038
Interest expense	5	**3,656**	2,816	6,059	**3,903**	2,995	6,542
Net interest income		**1,138**	1,107	2,250	**786**	782	1,496
Other operating income	4	**493**	411	837	**472**	485	1,995
Share of profit of equity accounted associates and jointly controlled entities	16	**96**	11	24	**96**	11	22
Operating income		**1,727**	1,529	3,111	**1,354**	1,278	3,513
Operating expenses	5	**672**	653	1,331	**648**	629	1,283
Profit before provision for credit impairment and income tax		**1,055**	876	1,780	**706**	649	2,230
Provision for credit impairment	15	**93**	30	74	**86**	29	75
Profit before income tax		**962**	846	1,706	**620**	620	2,155
Income tax expense	6	**270**	287	614	**161**	195	379
Profit after income tax from continuing operations		**692**	559	1,092	**459**	425	1,776
DISCONTINUED OPERATIONS							
Profit from discontinued operations (net of income tax)	10	**-**	76	76	**-**	-	-
Profit after income tax		**692**	635	1,168	**459**	425	1,776

The notes on pages 10 to 110 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 31 MARCH 2008

		Consolidated			Parent		
	Note	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
AVAILABLE-FOR-SALE REVALUATION RESERVE:							
- Valuation gain (loss) taken to equity	**30**	**16**	-	(1)	**16**	-	(1)
- Cumulative gain transferred to the income statement on sale of financial assets	**30**	**-**	(3)	(3)	**-**	(3)	(3)
CASH FLOW HEDGING RESERVE:							
- Valuation (loss) gain taken to equity	**11, 30**	**(17)**	50	78	**(17)**	50	78
- Transferred to income statement	**11, 30**	**(16)**	(19)	(35)	**(16)**	(19)	(35)
Actuarial (loss) gain on defined benefit schemes	**30, 45**	**(12)**	9	3	**(12)**	9	3
Income tax credit (expense) on items recognised directly in equity	**30**	**15**	(13)	(12)	**15**	(13)	(12)
Net (expense) income recognised directly in equity		**(14)**	24	30	**(14)**	24	30
Profit after income tax		**692**	635	1,168	**459**	425	1,776
Total recognised income and expense for the period		**678**	659	1,198	**445**	449	1,806

The notes on pages 10 to 110 form part of and should be read in conjunction with these financial statements.

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BALANCE SHEETS AS AT 31 MARCH 2008

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		Consolidated			Parent		
	Note	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
ASSETS							
Liquid assets	**7**	**3,863**	5,741	4,807	**3,863**	5,740	4,807
Due from other financial institutions	**8**	**3,890**	3,067	3,563	**3,455**	2,580	3,101
Trading securities	**9**	**2,149**	1,917	1,877	**2,149**	1,916	1,877
Derivative financial instruments	**11**	**4,865**	3,041	4,711	**4,865**	3,066	4,705
Available-for-sale assets	**12**	**96**	45	48	**86**	35	38
Net loans and advances	**13, 14, 15**	**92,579**	82,258	87,878	**90,171**	78,570	84,044
Due from subsidiary companies		**-**	-	-	**1,506**	1,543	1,585
Shares in controlled entities, associates and jointly controlled entities	**16**	**350**	190	206	**7,769**	7,669	7,683
Current tax assets		**134**	28	112	**338**	208	248
Other assets	**17**	**995**	800	1,045	**906**	686	920
Deferred tax assets	**18**	**56**	91	11	**43**	68	-
Premises and equipment	**19**	**238**	225	232	**54**	54	54
Goodwill and other intangible assets	**20**	**3,299**	3,293	3,297	**3,249**	3,243	3,247
Total assets		**112,514**	100,696	107,787	**118,454**	105,378	112,309
LIABILITIES							
Due to other financial institutions	**21**	**2,384**	4,178	3,170	**1,432**	1,741	1,686
Deposits and other borrowings	**22**	**74,080**	64,758	70,030	**61,379**	56,618	58,514
Due to subsidiary companies		**-**	-	-	**37,078**	30,185	32,942
Derivative financial instruments	**11**	**4,472**	3,168	4,924	**4,445**	3,165	4,896
Payables and other liabilities	**23**	**1,646**	1,401	1,351	**1,414**	1,120	988
Deferred tax liabilities	**24**	**-**	-	-	**-**	-	7
Provisions	**25**	**154**	156	165	**144**	139	151
Bonds and notes	**26**	**16,586**	13,340	14,607	**579**	509	561
Due to parent company	**27**	**1,758**	2,764	2,775	**1,758**	2,764	2,775
Loan capital	**28**	**2,053**	2,039	2,062	**2,053**	2,039	2,062
Total liabilities		**103,133**	91,804	99,084	**110,282**	98,280	104,582
Net assets		**9,381**	8,892	8,703	**8,172**	7,098	7,727
EQUITY							
Ordinary share capital	**29**	**5,943**	5,943	5,943	**5,943**	5,943	5,943
Reserves	**30**	**77**	73	83	**77**	73	83
Retained earnings	**30**	**3,361**	2,876	2,677	**2,152**	1,082	1,701
Total equity		**9,381**	8,892	8,703	**8,172**	7,098	7,727

The notes on pages 10 to 110 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2008[1]

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	Note	Consolidated			Parent		
		Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
CASH FLOWS FROM OPERATING ACTIVITIES							
Interest received		**4,643**	3,738	7,892	**4,509**	3,602	7,739
Dividends received		**-**	1	3	**7**	101	1,217
Fees and other income received		**516**	453	926	**486**	414	715
Interest paid		**(3,446)**	(2,587)	(5,486)	**(3,649)**	(2,762)	(6,027)
Operating expenses paid		**(661)**	(664)	(1,254)	**(645)**	(650)	(1,226)
Income taxes paid		**(322)**	(176)	(513)	**(286)**	(137)	(285)
Cash flows from operating profits before changes in operating assets and liabilities		**730**	765	1,568	**422**	568	2,133
Net changes in operating assets and liabilities:							
(Increase) decrease in due from other financial institutions - term		**(861)**	893	469	**(887)**	894	446
Increase in trading securities		**(206)**	(227)	(73)	**(206)**	(226)	(73)
Increase in derivative financial instruments		**(1,323)**	(497)	(1,136)	**(1,316)**	(500)	(1,114)
(Increase) decrease in available-for-sale assets		**(28)**	315	312	**(28)**	315	312
Increase in loans and advances		**(4,669)**	(4,381)	(10,149)	**(6,087)**	(4,380)	(9,993)
Decrease (increase) in due from subsidiary companies		**-**	-	-	**79**	(38)	(80)
Increase in due to subsidiary companies		**-**	-	-	**2,331**	699	2,593
Decrease (increase) in other assets		**16**	130	(69)	**10**	144	(27)
(Decrease) increase in due to other financial institutions		**(786)**	191	(817)	**(254)**	(1,087)	(1,142)
Increase in deposits and other borrowings		**4,013**	1,416	6,857	**2,672**	2,863	4,573
Increase (decrease) in payables and other liabilities		**276**	137	(125)	**362**	87	(194)
Net cash flows used in operating activities	**38**	**(2,838)**	(1,258)	(3,163)	**(2,902)**	(661)	(2,566)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of shares in associates and jointly controlled entities		**-**	-	5	**-**	-	6
Proceeds from sale of subsidiary companies[2]	**10**	**-**	585	585	**-**	-	-
Proceeds from sale of premises and equipment		**1**	16	17	**1**	2	2
Purchase of shares in associates and jointly controlled entities		**(46)**	(2)	(8)	**-**	-	-
Purchase of shares in subsidiary companies		**-**	-	-	**-**	-	(25)
Purchase of intangible assets		**(6)**	(8)	(17)	**(5)**	(7)	(16)
Purchase of premises and equipment		**(26)**	(25)	(51)	**(8)**	(7)	(13)
Net cash flows (used in) provided by investing activities		**(77)**	566	531	**(12)**	(12)	(46)

1. The comparative cash flow statements have not been restated for the classification of Truck Leasing Limited as a discontinued operation. For a detailed explanation of the financial impacts of the sale of Truck Leasing Limited refer to Note 10 Discontinued Operations in the consolidated financial statements for the year ended 30 September 2007.
2. The cash proceeds from the sale of controlled entities includes $438 million relating to the repayment of TLL's unsecured bank borrowings with UDC Finance Limited ('UDC') by the acquiree.

The notes on pages 10 to 110 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2008

(CONTINUED)

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		Consolidated			Parent		
	Note	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from bonds and notes		**3,553**	2,251	4,173	**70**	27	86
Redemptions of bonds and notes		**(1,201)**	(503)	(684)	**(81)**	-	-
Proceeds from loan capital		**-**	250	800	**-**	250	800
Redemptions of loan capital		**-**	-	(550)	**-**	-	(550)
Increase in due to subsidiary companies - term		**-**	-	-	**2,363**	1,721	3,403
(Decrease) increase in due to parent company		**(1,017)**	44	55	**(1,017)**	44	55
Dividends paid		**-**	-	(728)	**-**	-	(728)
Net cash flows provided by financing activities		**1,335**	2,042	3,066	**1,335**	2,042	3,066
Net cash flows used in operating activities		**(2,838)**	(1,258)	(3,163)	**(2,902)**	(661)	(2,566)
Net cash flows (used in) provided by investing activities		**(77)**	566	531	**(12)**	(12)	(46)
Net cash flows provided by financing activities		**1,335**	2,042	3,066	**1,335**	2,042	3,066
Net (decrease) increase in cash and cash equivalents		**(1,580)**	1,350	434	**(1,579)**	1,369	454
Cash and cash equivalents at beginning of the period		**7,130**	6,696	6,696	**7,128**	6,674	6,674
Cash and cash equivalents at end of the period		**5,550**	8,046	7,130	**5,549**	8,043	7,128
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS[3]							
Liquid assets		**3,863**	5,741	4,807	**3,863**	5,740	4,807
Due from other financial institutions - less than 90 days		**1,687**	2,305	2,323	**1,686**	2,303	2,321
Total cash and cash equivalents	**38**	**5,550**	8,046	7,130	**5,549**	8,043	7,128

3. Cash and cash equivalents have been restated to align with the Banking Group's core liquid assets held for managing liquid risk by removing due to other financial institutions - less than 90 days from the definition of cash and cash equivalents. A reconciliation of cash and cash equivalents to the Banking Group's core liquidity portfolio is included in Note 38 Notes to the Cash Flow Statements. An analysis of the balance sheet items that make up the Banking Group's core liquidity portfolio is included in Note 32 Financial Risk Management.

The notes on pages 10 to 110 form part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

(i) Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Banks) Order 2008 (the 'Order'). The parent company's financial statements are for ANZ National Bank Limited (the 'Bank') as a separate entity and the consolidated financial statements are for the ANZ National Bank Limited Group (the 'Banking Group' and reporting entity), which includes subsidiaries, associate companies and jointly controlled entities as disclosed in Note 39 Controlled Entities, Associates and Interests in 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 and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ('IFRS').

These financial statements were authorised for issue by the Board of Directors on 19 June 2008.

(ii) Presentation currency and rounding

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

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

The Ultimate Parent Company, Australia and New Zealand Banking Group Limited, adopted the Australian equivalents to IFRS for the reporting period commencing 1 October 2005. Hence, from this date, the Banking Group elected to prepare financial statements using the New Zealand equivalents to International Financial Reporting Standards.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

The Banking Group has adopted NZ IFRS 7: Financial Instruments: Disclosures ('NZ IFRS 7') and amendments to NZ IAS 1 Presentation of Financial Statements - Capital Disclosures from 1 October 2007. Application of these standards has resulted in some changes to quantitative disclosures relating to risks arising from financial instruments and further qualitative disclosures on financial risk and capital management policies, but does not have any impact on reported profits or financial position.

The Banking Group has not early adopted NZ IFRS 8: Operating Segments issued in December 2006. This standard is effective for annual accounting periods beginning on or after 1 January 2009.

The Banking Group has not early adopted NZ IAS 1 Presentation of Financial Statements (revised) issued in November 2007. This standard is effective for annual accounting periods beginning on or after 1 January 2009 and will not result in any material changes to the presentation of the financial statements.

(iv) Measurement base

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 the fair value of any applicable underlying exposure, assets treated as available for sale, financial instruments held for trading, certain financial liabilities designated at fair value through profit or loss, certain assets and liabilities designated as part of fair value hedging arrangements and defined benefit scheme assets and liabilities.

(v) Accounting estimates

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.

For further discussion on the judgements and estimates made by the Banking Group, in the process of applying its accounting policies, that have the most effect on the amounts recognised in the financial statements refer to Note 2 Critical Estimates and Judgements Used in Applying Accounting Policies. Such estimates may require reviewing in future periods.

(vi) Consolidation

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

Subsidiaries

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.

Where subsidiaries have been sold or acquired during the period, their operating results have been included to the date control ceases or from the date control is transferred to the Banking Group.

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1. ACCOUNTING POLICIES (CONTINUED)

(vi) Consolidation (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Banking Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Banking Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Banking Group.

Associates and joint ventures

Associates are all entities over which the Banking Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Banking Group has joint control. Joint control is the contractually agreed sharing of control and exists only when the strategic financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. The Banking Group adopts the equity method of accounting for associates and jointly controlled entities. The Banking Group's investment in equity accounted associates and jointly controlled entities is initially recognised at cost and includes any attributable goodwill (net of accumulated impairment losses) identified on acquisition.

The Banking Group's share of the post acquisition results of associates and jointly controlled entities is included in the consolidated income statement and its share of post-acquisition movements in reserves recognised in reserves. Shares in associates and jointly controlled entities are stated in the consolidated balance sheet at cost plus the Banking Group's share of post acquisition net assets. Unrealised gains on transactions between the Banking Group and its associates and jointly controlled entities are eliminated to the extent of the Banking Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If an associate or jointly controlled entity uses accounting policies other than those used by the Banking Group for like transactions and similar events, adjustments are made to conform the associate or jointly controlled entity's policy to those of the Banking Group in applying the equity method.

Interests in associates and jointly controlled entities are reviewed at each reporting date for impairment. Any impairment is recognised in the income statement.

All significant activities of the Banking Group, with the exception of the ING New Zealand joint venture, are operated through wholly owned and controlled entities.

The Banking Group may invest in or establish special purpose entities to enable it to undertake specific types of transactions. Where the Banking Group controls such vehicles, they are consolidated into the Banking Group's financial results.

(vii) Foreign currency

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from (i) the settlement of such transactions, and (ii) the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement.

(viii) Revenue and expense recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Banking Group and that revenue can be reliably measured. Expenses are recognised in the income statement on an accruals basis.

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1. ACCOUNTING POLICIES (CONTINUED)

(ix) Interest income and interest expense

Interest income and interest expense are recognised in the income statement as they accrue, 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. Income and expense on the financial asset or financial liability is recognised on an effective yield basis in proportion to the amount outstanding over the period to maturity or repayment.

Loan commitment fees (together with related direct costs), are deferred and recognised as an adjustment to the effective yield on the loan once drawn or immediately to the income statement for expired commitments.

Fees and commissions payable to brokers in respect of originating lending business, where these are direct and incremental costs related to the issue of a financial instrument, are deferred and recognised in interest income as part of the effective interest rate.

(x) Fee and commission income

Fees and commissions that are integral to the effective rate of a financial asset or liability are included in the determination of the effective interest rate.

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

Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as revenue over the period the service is provided.

(xi) 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;
- where gains and losses from a group of similar transactions are reported on a net basis such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Banking Group is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Banking Group is reimbursed.

(xii) Recognition and derecognition of financial assets and financial liabilities

The Banking Group recognises a financial asset or liability on its balance sheet when, and only when, the Banking Group becomes a party to the contractual provisions of the financial asset or liability. The Banking Group derecognises a financial asset from its balance sheet when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Banking Group has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset. The Banking Group derecognises a financial liability from its balance sheet, when and only when, it is extinguished.

(xiii) Trading securities

Trading securities are those financial assets classified as held for trading and comprise debt and equity securities and treasury notes purchased with the intent of being actively traded. Trading securities are initially recognised at fair value on trade date with transaction costs taken to the income statement. Changes in the fair value (gains or losses) of these securities are recognised in the income statement in the period in which they occur. The assets are derecognised when the rights to receive cash flows have expired, or the Banking Group has transferred substantially all of the risks and rewards of ownership. Fair value for listed and unlisted securities is determined by the price displayed by a willing buyer in a liquid market at the reporting date. Where a market price in a liquid market is not readily available, the fair value is determined by reference to the market price available for a security with similar credit, maturity and yield characteristics or by using industry standard pricing models.

(xiv) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying financial instruments or indices. 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 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 and subsequently remeasured at fair value. Fair values are obtained from quoted prices in active markets (including recent transactions) and valuation techniques including discounted cash flow models and option pricing models, as appropriate. Movements in the fair value of derivative financial instruments are recognised in the income statement, unless the derivative financial instrument meets the requirement for hedge accounting.

Where the derivative financial instrument is designated as, and 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:

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1. ACCOUNTING POLICIES (CONTINUED)

(xiv) Derivative financial instruments (continued)

(a) Fair value hedge

Where the Banking Group hedges the change in fair value of a recognised asset or liability or firm commitment, any change in the fair value of derivatives designated as fair value hedges 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. If the hedged item is sold or repaid, the balance of the adjustment to the carrying value of the hedged item is recognised in the income statement.

(b) Cash flow hedge

The Banking Group designates derivatives as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges are deferred to the cash flow hedging reserve, which forms part of shareholders' equity. Any ineffective portion is immediately recognised 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. Where the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gain or loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

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

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the income statement.

Embedded derivatives

Derivatives embedded in financial instruments or other host contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts, and the host contracts are not measured at fair value. The embedded derivative is reported at fair value with changes in fair value immediately recognised in the income statement.

(xv) Available-for-sale assets

Available-for-sale assets comprise those non-derivative financial assets which the Banking Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and include equity investments and fixed term securities. They are initially recorded at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity called the 'available-for-sale revaluation reserve'. When the asset is sold the cumulative gain or loss related to the asset is transferred to the income statement.

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

Premiums and discounts are included within the calculation of the fair value of the security. Interest is accrued and recognised in accordance with the effective yield basis.

(xvi) Net loans and advances

Net 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 Banking Group has no intention of trading on 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, less any impairment loss, or when in an effective hedging relationship, 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, and also recognised in the income statement. Loans and advances are derecognised when the rights to receive cash flows have expired or the Banking Group has transferred substantially all the risks and rewards of ownership.

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills. Overdrafts, credit cards and term loans are carried at amortised cost. Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the income statement as part of interest income.

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1. ACCOUNTING POLICIES (CONTINUED)

(xvi) Net loans and advances (continued)

Finance lease receivables

Finance lease receivables include amounts due from lessees in relation to finance leases and hire purchase contracts.

The gross amount of contractual payments regarding lease finance to business customers that have a fixed rate and a fixed term are recorded as gross lease receivables and the unearned interest component is recognised as income yet to mature.

The finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments, plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction in the lease receivable over the term of the finance lease, reflecting a constant periodic rate of return on the net investment outstanding in respect of the lease.

Credit assessment

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

Impaired assets include other impaired assets, restructured assets and assets acquired through the enforcement of security.

Other impaired assets include loans where there is doubt as to full recovery, and loans that have been restructured. An individual provision is raised to cover the expected loss, where full recovery of principal is doubtful.

Restructured assets are those assets where the counterparty had difficulty complying with the original terms of the contract and the original terms have been modified to grant the counterparty concessional terms where the yield of the loan is equal to or greater than the Banking Group's average cost of funds and below the yield applicable to a customer of equal credit standing.

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 Banking Group.

Cash receipts on other impaired assets are initially applied as a reduction in principal.

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 day past due asset is any past due asset which has not been operated by the counterparty within its key terms for at least 90 days.

Other assets under administration 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.

A renegotiated asset is any loan that would otherwise be past due or impaired whose terms have been renegotiated.

Impairment of loans and advances

Loans and advances are regularly reviewed for impairment loss. Credit impairment provisions are raised for exposures that are known to be impaired. Loans are impaired and impairment losses incurred 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 that loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the individual loan or the collective portfolio of loans.

Impairment is assessed initially 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.

For those exposures that are assessed collectively, these 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.

The estimated individual impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value at the original effective interest rate. As this discount unwinds during the period between recognition of impairment and recovery of the written down amount, it is recognised in the income statement. 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.

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are taken to the income statement.

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

A provision is raised for off balance sheet items such as commitments and guarantees that are considered to be onerous.

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1. ACCOUNTING POLICIES (CONTINUED)

(xvii) Operating leases

Leases as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(xviii) 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 Banking Group, and a counterparty liability is disclosed under the classifications of due to other financial institutions or payables and other liabilities, depending on the term of the agreement and the counterparty.

The difference between the sale price and the repurchase price is amortised over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where the Banking Group does not acquire the risks and rewards of ownership, are recorded as 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.

(xix) Goodwill and other intangible assets

Goodwill

Goodwill, representing 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, is recognised as an asset. Goodwill has an indefinite life. The carrying value of goodwill is reviewed for impairment at each reporting period and tested for impairment annually, or more frequently if there is an indication that the goodwill may be impaired. This involves, where required, using discounted cash flow or capitalisation of earnings methodology to determine the expected future benefits of the cash generating unit to which goodwill has been allocated. Where the assessment results in the current carrying value of goodwill exceeding the value of expected future benefits, the difference is charged to the income statement. Any impairment writedown of goodwill is not reversed in subsequent periods.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets include costs incurred in acquiring and building software and computer systems (referred to as software) and an intangible asset relating to the ING New Zealand Joint Venture acquisition.

Software is amortised using the straight-line method over its expected useful life to the Banking Group. The period of amortisation is between 3 and 5 years except for the branch front-end applications where 7 years is used.

At each reporting date, the software assets and other intangible assets are reviewed for impairment against impairment indicators. If any indication of impairment exists, the recoverable amount of the assets are 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.

(xx) Premises and equipment

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

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 included in the income statement in the period of disposal.

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

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5% - 33%
Motor vehicles	20%

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 indications of impairment. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the asset's existing carrying value exceeds its 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 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 asset's recoverable amount.

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1. ACCOUNTING POLICIES (CONTINUED)

(xxi) 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 as explained in Accounting Policy (ix). Commercial paper is designated at fair value through profit or loss, with fair value movements recorded directly in the income statement.

(xxii) Bonds, notes and loan capital

Bonds, notes and loan capital are initially recognised at fair value plus transaction costs and subsequently stated at amortised cost. Interest expense is recognised in the income statement using the effective interest method.

(xxiii) Income tax

Income tax expense

Income tax on profits for the period comprises current and deferred tax. 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.

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).

Deferred tax

Deferred tax is accounted for using the comprehensive tax base balance sheet liability method. Deferred tax arises by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

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 Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those in relation to taxable temporary differences arising from goodwill. In addition deferred tax liabilities are 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, 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 credits can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale financial assets and cash flow hedges, which are charged or credited directly to equity, is also charged or credited directly to equity and subsequently recognised in the income statement together with the deferred gain or loss on the related asset or liability.

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 and there is a legal right and intention to settle on a net basis and it is allowed under the tax law.

(xxiv) 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. 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 Banking Group's contributions to its defined contribution cash accumulation scheme are recognised as an expense in the income statement when incurred.

The 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 Banking Group, a defined benefit asset is recognised. The present value of the defined benefit obligation is determined by discounting the estimated future outflows by reference to New Zealand 10-year government bond rates.

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1. ACCOUNTING POLICIES (CONTINUED)

(xxiv) Employee benefits (continued)

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 profits; 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 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 Banking Group, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at a minimum of every three years in accordance with the schemes' Trust Deed and superannuation legislation.

Share-based compensation

The Banking Group's employees participate in various equity-settled share-based compensation plans operated by the ANZ and largely comprise the Employee Share Acquisition Plan and the ANZ Share Option Plan. The Banking Group purchases ANZ shares and share options for the benefit of its employees from the ANZ, and as such accounts for share-based compensation plans as cash-settled.

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. Where shares are subject to a vesting period, the Banking Group initially recognises a net share compensation asset reflecting the fair value of unvested shares issued to employees of the Banking Group. The fair value of unvested shares is amortised to profit and loss on a straight-line basis over the vesting period (normally three years) as employee services are received.

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 the ANZ ordinary share price and other factors. Market vesting conditions are taken into account in estimating the fair value.

Other adjustments

The amount of expense recognised during the vesting period is adjusted for the number of shares or options expected to vest. Non-market vesting conditions (e.g. service conditions) are taken into account, so that ultimately the expense recognised in the income statement reflects the number of shares or share options that actually vest.

(xxv) Capitalised expenses

Direct external expenses, comprising direct and incremental costs related to the acquisition of interest earning assets, including structured institutional lending, mortgages and finance leases, are initially recognised as part of the cost of acquiring the asset and written off as an adjustment to its expected yield over its expected life using the effective interest method. The write-off is to interest income as part of the effective interest rate.

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

(xxvi) Provisions

The 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, taking into account the risks and uncertainties surrounding the obligation. 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.

(xxvii) Goods and services tax

Revenues, 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 net 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.

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1. ACCOUNTING POLICIES (CONTINUED)

(xxviii) Offsetting of 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
- There is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(xxix) Contingent liabilities

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 Note 43 Contingent Liabilities and Credit Related Commitments, where the above requirements are not met, but there is a possible obligation that is higher than remote. Specific details are provided together with an estimate of the range or a statement that such an estimate is not possible.

(xxx) Segment reporting

Business segments are distinguished components of the Banking Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

Business segments are the Banking Group's primary reporting segments. For reporting purposes the three major business segments are Retail Banking, Relationship Banking and Institutional. The Banking Group operates primarily in one geographic segment, New Zealand.

(xxxi) Statement of cash flows

Basis of preparation

The statement of cash flows has been prepared using the direct approach modified by the netting of the certain items as disclosed below.

Cash and cash equivalents

Cash and cash equivalents include liquid assets, amounts due from other financial institutions, trading securities and available-for-sale assets held for the purpose of meeting short-term cash commitments that are readily convertible to cash and subject to insignificant risk of changes in value.

Netting of cash flows

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 Banking Group. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

(xxxii) Securitisation, funds under management, and other fiduciary activities

Certain subsidiaries of the Bank act as trustees and/or managers for a number of unit trusts and superannuation investment funds. The Bank 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 Banking Group. Commissions and fees earned in respect of the Banking Group's funds under management are included in net operating income.

Financial services provided by any member of the 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 cashflows have expired or the Banking Group has transferred substantially all the risks and rewards of ownership.

(xxxiii) Discontinued operations

A discontinued operation is a component of the 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.

(xxxiv) Comparatives

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

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2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

These financial statements are prepared in accordance with New Zealand Financial Reporting Standards 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 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

Provisions for impairment in customer loans and advances are raised by management to cover incurred losses arising from past events. Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on loans assessed collectively. Losses expected from future events, no matter how likely, are not recognised. The amount of the impairment loss is recognised as an expense in the income statement.

The calculation of impairment provisions includes consideration of all expected cash flows associated with the loan. This includes any expected cash flows from realisation of security and interest and takes into account any costs expected to be incurred, including security realisation costs, legal and administration costs.

Individual provisions

An individual provision is raised where there is an expectation of a loss of principal, interest and/or fees and there is objective evidence of impairment.

At each balance date, the Banking Group reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual provisions. At a minimum, individual provisions are reassessed on a quarterly basis, upon receipt of a significant asset realisation or when there is a change in customer circumstances/business strategy.

Collective provisions

A collective provision is calculated for:

- Loans subject to individual assessment to cover losses which have been incurred but not yet identified; and
- For homogenous portfolios of loans that are not considered individually significant (e.g. retail portfolios such as mortgages, credit cards and some small business loans).

The collective 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 then adjusted for the impact of current observable data.

For individually significant loans, historical loss experience used to calculate the collective provision is determined by taking into account historical information on probability of default and loss given default by risk grade. The collective provision on homogeneous or portfolio managed exposures is calculated by applying an expected loss factor to the outstanding drawn and undrawn balances in each loan portfolio. The expected loss factor is determined from internal historical loss data.

The long-term historical loss experience is reviewed by management and adjustments made to reflect current economic and credit conditions as well as taking into account such factors as concentration risk in an individual portfolio. In addition, management recognise that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

As at 31 March 2008 for the Banking Group, total provision for credit impairment was $522 million representing 0.56% of total net loans and advances (31/03/2007 $457 million or 0.56%; 30/09/2007 $466 million or 0.53%). Of the total provision for 31 March 2008, $471 million represented collective provisions and $51 million represented individual provisions.

As at 31 March 2008 for the Bank, total provision for credit impairment was $479 million representing 0.53% of total net loans and advances (31/03/2007 $413 million or 0.53%; 30/09/2007 $426 million or 0.51%). Of the total provision for 31 March 2008, $438 million represented collective provisions and $41 million represented individual 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.

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

Critical judgements in applying the Banking Group's accounting policies

Derivatives and hedging

The 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. The derivative instruments used to hedge the Banking Group's exposures include:

- Swaps
- Foreign exchange contracts
- Forward rate agreements
- Futures
- Options, and
- Combinations of the above instruments.

The Banking Group enters into derivatives for trading (including transactions entered into on behalf of customers) or for hedging purposes.

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 Banking Group to the risk of changes in fair value or future cash flows and (b) is designated as being hedged.

For a relationship to qualify for hedge accounting, the following criteria must be met:

- *Designation and Documentation:* The hedging relationship must be formally designated and documented at the inception of the hedge.
- *Prospective Effectiveness:* This is a forward-looking test of whether a hedging relationship is expected to be highly effective in future periods. The hedge must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship for hedge accounting to be achievable.

  The effectiveness of the hedge must be capable of being reliably measured, that is, the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured. Prospective hedge effectiveness testing is required at least quarterly.
- *Retrospective Effectiveness:* This is a backward-looking test of whether a hedging relationship has actually been highly effective throughout the reporting periods for which the hedge was designated (i.e. retrospectively). The actual results of the hedge must be within a range of 80 - 125 per cent.

  Hedge accounting is only achieved where both prospective and retrospective effectiveness is achieved.
- *External Counterparty:* For hedge accounting purposes, only instruments that involve a party external to the Banking Group can be designated as hedging instruments.

Judgement is required by management in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The 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.

Fair value of derivatives

Derivatives which are entered into as part of the Banking Group's trading operations and those derivatives which are part of fair value hedges are measured at fair value, with any changes in fair value recognised in the income statement. Where liquid markets exist, fair value is based on quoted market prices. Where there is no active market fair value is determined by the use of various valuation techniques including discounted cash flow models and option pricing models. To the extent possible models use only observable data, however such areas as counterparty risk, volatilities and correlations require management to make judgements and estimates. Changes in assumptions used in these models and projections of future cash flows could affect the reported fair value of derivative financial instruments.

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

Critical judgements in applying the Banking Group's accounting policies (continued)

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.

As at 31 March 2008, the balance of goodwill recorded as an asset on the Banking Group's consolidated balance sheet as a result of acquisitions was $3,265 million (31/03/2007 $3,265 million; 30/09/2007 $3,265 million) of which $3,230 million relates to the acquisition of NBNZ Group in December 2003 (31/03/2007 $3,230 million; 30/09/2007 $3,230 million).

As at 31 March 2008, the balance of goodwill recorded as an asset on the Bank's balance sheet as a result of acquisitions was $3,217 million, which relates to the amalgamation of The National Bank of New Zealand Limited in June 2004 (31/03/2007 $3,217 million; 30/09/2007 $3,217 million).

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management reporting purposes. The cash-generating unit to which goodwill related to the National Bank Group is the NZ Geographic segment being ANZ National Bank Limited Group.

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 the Banking Group, being the smallest cash-generating unit to which the goodwill is allocated, with the current carrying amount of its net assets, including goodwill. The recoverable amount is based on fair value less costs to sell. Where the current carrying value is greater than the recoverable amount a charge for impairment of goodwill will be recorded in the income statement.

In determining the fair value of the Banking Group, an independent valuation based on fair value less costs to sell using a capitalisation of earnings approach.

In determining an appropriate price multiple under the capitalisation of earnings approach, judgement is applied in assessing comparability of similar companies or transactions, particularly with respect to the mix of business, geographic location, growth prospects, riskiness of future earnings and size of the overall business.

The Banking Group obtained an independent valuation of the ANZ National Bank Limited Group as at 31 March 2008. The results of the independent valuation resulted in a fair value less costs to sell in excess of current carrying value.

Changes in the assumptions upon which the valuation is based, together with changes in future cash flows could materially impact the valuation obtained. Based on this independent valuation, the current carrying value of the Banking Group's goodwill arising from acquisitions is considered recoverable and no impairment write-down is required.

Valuation of investment in ING (NZ) Holdings Ltd (ING NZ)

The Banking Group adopts the equity method of accounting for its 49% interest in its jointly controlled entity, ING NZ. As at 31 March 2008, the carrying value of the Banking Group's investment in ING NZ was $201 million (31/03/2007 $177 million; 30/09/2007 $189 million). The carrying value of the Bank's investment in ING NZ was $220 million (31/03/2007 $196 million; 30/09/2007 $208 million).

The carrying value of the investment in ING NZ differs between the Banking Group and the Parent due to an unrecognised gain on the Banking Group's share of the net gain on sale recognised when the Banking Group sold its Life Insurance and Funds Management businesses to ING NZ.

The carrying value of this investment 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.

The Banking Group obtained an independent valuation of ING NZ as at 31 March 2008. The valuation was based on a value-in-use methodology using a discounted cash flow approach. The results of the independent valuation resulted in a value-in-use in excess of current carrying value.

Changes in the assumptions upon which the valuation is based, together with changes in future cash flows could materially impact the valuation obtained. Based on this independent valuation, the current carrying value of the Banking Group's investment in ING NZ is considered recoverable and no impairment write-down is required.

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3. RISK MANAGEMENT POLICIES

The 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 Banking Group business units to meet their performance objectives.

The 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 from the Board and operates within a comprehensive framework comprising:

- The Board, providing leadership, setting risk appetite/strategy and monitoring progress;
- A strong framework for development and maintenance of Banking Group-wide 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 strategy across the Banking Group;
- Business Unit level accountability, as the "first line of defence", and for the management of risks in alignment with the Banking Group's strategy; and
- Independent oversight to ensure Business Unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The 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, discussions covering the Banking Group's response to emerging risk issues and trends, and that the requisite culture and practices are in place across the Banking Group, are conducted within the Banking Group and also by the Ultimate Parent Bank. The Board has responsibility for reviewing all aspects of risk management.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. The Banking Group's Risk Committee assists the Board in this function. The role of the Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, compliance, liquidity and reputational risk management, and to liaise and consult with the Ultimate Parent Bank Risk Committee to assist it to discharge its responsibilities. The Banking Group has an independent Risk Management function, which via the Chief Risk Officer, coordinates risk management directly between Business Unit risk functions and Ultimate Parent Bank Group Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the Ultimate Parent Bank Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

The 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.

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements and internal and external audit processes. The Committee has a quorum of two directors, both of whom must be non-executive directors. It meets at least four times a year, and reports directly to the Board.

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 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 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 Note 32 Financial Risk Management for detailed disclosures on the Banking Group's financial risk management policies.

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3. RISK MANAGEMENT POLICIES (CONTINUED)

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 Bank's reputation.

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.

Risk Management is responsible for establishing the Banking Group's operational risk framework and associated Banking Group-level policies. Business Units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

A Risk Drivers and Controls (or "Scorecards") Approach to operational risk measurement is used to measure the operational risk profile of individual business units, and to allocate operational risk economic capital. This approach gives business managers a strong and clear incentive to reduce operational risk.

Business Units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Retail and Wholesale Risk Committees. The Banking Group's Operational Risk Executive Committee (OREC) undertakes the governance function through the monthly monitoring of operational risk performance across the Banking Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

The Banking Group conducts its business in accordance with all relevant compliance requirements in each point of representation. In order to assist the Banking Group identify, manage, monitor and measure its compliance obligations, the Banking Group has a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with Business Unit staff ensure the Banking Group operates within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seeks to minimise material risks to the Banking Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business Units have primary responsibility for the identification and management of compliance. The Banking Group's Risk Management division provides 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 Banking Group's OREC, the Chief Risk Officer, the Board and the Risk Committee of the Ultimate Parent Bank Board conduct Board and Executive oversight.

Internal audit

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

Internal Audit reports directly to the Chairman of the ANZ National Audit Committee and through to the ANZ 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 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 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 Banking Group. Significant findings are reported quarterly to the Audit Committee.

The Internal Audit Plan is approved by the 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.

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4. INCOME

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
CONTINUING OPERATIONS						
Interest income						
Financial assets at fair value through profit or loss						
Trading securities	**104**	110	233	**104**	110	233
Derivative financial instruments	**271**	112	278	**310**	116	288
	375	222	511	**414**	226	521
Financial assets not at fair value through profit or loss						
Liquid assets	**165**	168	345	**165**	168	345
Other financial institutions	**155**	105	220	**133**	85	178
Available-for-sale assets	**1**	6	7	**1**	5	6
Lending on productive loans	**4,086**	3,405	7,190	**3,941**	3,250	6,873
Lending on impaired assets (Note 14)	**3**	2	4	**3**	2	4
Subsidiary companies	**-**	-	-	**25**	29	84
Related parties	**-**	9	13	**-**	9	13
Other	**9**	6	19	**7**	3	14
	4,419	3,701	7,798	**4,275**	3,551	7,517
Total interest income	**4,794**	3,923	8,309	**4,689**	3,777	8,038
Other operating income						
Net fee income[1]	**323**	290	594	**298**	269	552
Dividends received	**-**	1	3	**7**	101	1,217
Net gain on foreign exchange trading	**69**	61	128	**69**	60	126
Net gain on trading securities	**4**	-	2	**4**	-	2
Net gain on trading derivatives	**72**	2	39	**72**	2	39
Net gain on available-for-sale assets	**-**	10	10	**-**	10	10
Net (loss) gain on hedges not qualifying for hedge accounting	**(5)**	19	20	**(5)**	19	20
Net ineffectiveness on qualifying cash flow hedges	**-**	-	-	**-**	-	-
Net ineffectiveness on qualifying fair value hedges	**(1)**	4	(1)	**(1)**	4	(1)
Net cash flow hedge gains transferred to income statement	**16**	19	35	**16**	19	35
Net (loss) gain on financial liabilities designated at fair value through profit or loss	**(7)**	1	(2)	**(7)**	1	(2)
Other income	**22**	4	9	**19**	-	(3)
Total other operating income	**493**	411	837	**472**	485	1,995
[1]Net fee income comprises:						
Lending and credit facility fee income	**64**	51	110	**64**	51	110
Fee income on trust and other fiduciary activities	**23**	22	46	**10**	13	27
Other fee income	**321**	294	592	**309**	282	569
Total fee income	**408**	367	748	**383**	346	706
Direct fee expense	**85**	77	154	**85**	77	154
Net fee income	**323**	290	594	**298**	269	552

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5. EXPENSES

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
CONTINUING OPERATIONS						
Interest expense						
Financial liabilities at fair value through profit or loss						
Commercial paper	**493**	263	595	**-**	-	-
	493	263	595	**-**	-	-
Deposits at amortised cost						
Other financial institutions	**108**	111	206	**52**	43	100
Deposits and other borrowings	**2,136**	1,765	3,740	**2,309**	1,784	3,774
Subsidiary companies	**-**	-	-	**1,315**	956	2,210
Bonds and notes	**707**	472	1,076	**19**	15	32
Related party funding	**90**	100	211	**90**	100	211
Loan capital	**86**	74	157	**86**	74	157
Other	**36**	31	74	**32**	23	58
	3,163	2,553	5,464	**3,903**	2,995	6,542
Total interest expense	**3,656**	2,816	6,059	**3,903**	2,995	6,542
Operating expenses						
Personnel costs	**335**	323	650	**320**	306	620
Employee entitlements	**37**	28	67	**36**	28	65
Pension costs						
- Defined contribution schemes	**18**	17	35	**18**	17	34
- Defined benefit schemes	**3**	3	6	**3**	3	6
Share-based payments expense	**7**	7	12	**7**	7	12
Building occupancy costs	**20**	18	38	**5**	7	13
Depreciation of premises and equipment	**18**	21	39	**7**	10	17
Leasing and rental costs	**39**	37	72	**8**	7	13
Related parties (Note 46)	**39**	34	71	**90**	81	167
Computer expenses	**53**	55	112	**51**	53	107
Other costs	**103**	110	229	**103**	110	229
Total operating expenses	**672**	653	1,331	**648**	629	1,283

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $'000	Unaudited 6 months to 31/03/2007 $'000	Audited Year to 30/09/2007 $'000	**Unaudited 6 months to 31/03/2008 $'000**	Unaudited 6 months to 31/03/2007 $'000	Audited Year to 30/09/2007 $'000
Auditors' remuneration to KPMG comprises:						
Audit or review of financial statements	**931**	808	1,549	**830**	597	1,314
Other audit-related services	**216**	57	357	**185**	56	333
Total auditors' remuneration	**1,147**	865	1,906	**1,015**	653	1,647

It is 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. These 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, trust audits and other audits required for local regulatory purposes.

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6. INCOME TAX EXPENSE

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
RECONCILIATION OF THE PRIMA FACIE INCOME TAX PAYABLE ON PROFIT WITH THE INCOME TAX EXPENSE CHARGED IN THE INCOME STATEMENT						
Continuing operations						
Profit before income tax	**962**	846	1,706	**620**	620	2,155
Prima facie income tax at 33%	**317**	279	563	**205**	205	711
Rebateable and non-assessable dividends	**(4)**	(7)	(12)	**(2)**	(33)	(401)
Other permanent items	**(35)**	14	34	**(34)**	23	43
	278	286	585	**169**	195	353
Tax effect of change in domestic tax rate[1]	**(8)**	-	27	**(8)**	-	25
Income tax under provided in prior periods	**-**	1	2	**-**	-	1
Total income tax expense from continuing operations	**270**	287	614	**161**	195	379
Discontinued operations						
Income tax expense from discontinued operations	**-**	-	-	**-**	-	-
Effective tax rate (%)	**28.1%**	33.9%	36.0%	**26.0%**	31.5%	17.6%
The major components of the income tax expense comprise:						
Amounts recognised in the income statement						
Current income tax charge						
Current income tax charge	**304**	265	512	**200**	168	277
Adjustments recognised in the current period in relation to current tax of prior periods	**-**	1	2	**-**	-	1
Deferred income tax						
Deferred tax (income) expense relating to the origination and reversal of temporary differences	**(34)**	21	100	**(39)**	27	101
Total income tax expense recognised in income statement - continuing operations	**270**	287	614	**161**	195	379
The following amounts were (credited) charged directly to equity:						
Current income tax						
Actuarial (loss) gain on defined benefit schemes	**(4)**	3	1	**(4)**	3	1
Deferred income tax						
Net (loss) gain on revaluation of cash flow hedges	**(11)**	10	11	**(11)**	10	11
Total income tax (credit) expense recognised directly in equity	**(15)**	13	12	**(15)**	13	12
Imputation Credit Account						
Balance at beginning of the period	**831**	642	642	**595**	483	483
Imputation credits attached to dividends received	**22**	17	14	**4**	8	91
Taxation paid	**101**	174	371	**73**	126	217
Imputation credits attached to dividends paid	**(369)**	-	(196)	**(464)**	-	(196)
Additions from companies joining the Imputation Group	**-**	-	-	**105**	-	-
Other	**(2)**	-	-	**(2)**	-	-
Balance at end of the period	**583**	833	831	**311**	617	595

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

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.

[1]In May 2007, legislation was passed to reduce the New Zealand corporate tax rate from 33% to 30%, effective for the 2009 income tax year. The tax effect shown is the impact on the value of deferred tax assets and liabilities as a result of the reduction in the corporate tax rate from 1 October 2008.

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7. LIQUID ASSETS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Cash and balances with central banks	**2,386**	4,286	3,010	**2,386**	4,286	3,010
Securities purchased under agreement to resell	**-**	25	197	**-**	25	197
Money at call	**1,390**	1,358	1,467	**1,390**	1,357	1,467
Bills receivable and remittances in transit	**87**	72	133	**87**	72	133
Total liquid assets	**3,863**	5,741	4,807	**3,863**	5,740	4,807
Included within liquid assets is the following balance:						
Overnight balances with central banks	**2,171**	4,041	2,809	**2,171**	4,041	2,809
The Banking Group's core liquidity portfolio held for managing liquidity risk (Note 32)	**6,591**	6,052	6,168	**6,591**	6,052	6,168

8. DUE FROM OTHER FINANCIAL INSTITUTIONS

	Consolidated			Parent		
Able to be withdrawn without prior notice	**418**	776	952	**417**	774	950
Securities purchased under agreement to resell	**377**	604	512	**377**	604	512
Certificates of deposit	**2,609**	737	1,634	**2,609**	737	1,634
Term loans and advances	**486**	950	465	**52**	465	5
Total due from other financial institutions	**3,890**	3,067	3,563	**3,455**	2,580	3,101
Included within due from other financial institutions are the following balances:						
Assets used to secure deposit obligations	**-**	208	-	**-**	208	-
Assets encumbered through repurchase agreements	**-**	25	-	**-**	25	-
Included within due from other financial institutions is the following related party balance:						
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**-**	208	-	**-**	208	-

9. TRADING SECURITIES

	Consolidated			Parent		
Government, Local Body stock and bonds	**134**	209	144	**134**	208	144
Certificates of deposit	**728**	1,430	866	**728**	1,430	866
Promissory notes	**177**	178	177	**177**	178	177
Other bank bonds	**1,039**	35	638	**1,039**	35	638
Other	**71**	65	52	**71**	65	52
Total trading securities	**2,149**	1,917	1,877	**2,149**	1,916	1,877
Included within trading securities is the following balance:						
Assets encumbered through repurchase agreements	**198**	208	300	**198**	208	300

10. DISCONTINUED OPERATIONS

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

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

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

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11. 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 Banking Group's trading activities. Derivatives are also used to manage the 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 Banking Group manages these risks in a consistent manner.

Types of derivative instruments

The principal foreign exchange rate contracts used by the 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 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.

Equity related contracts are transacted by the 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 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 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.

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 Banking Group's and the Bank's foreign exchange rate, interest rate and equity 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.

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated			Parent		
	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m
Unaudited 31/03/2008						
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	42,232	645	567	42,232	645	567
Swap agreements	59,385	1,412	1,648	59,385	1,412	1,648
Options purchased	1,806	70	-	1,806	70	-
Options sold	1,761	-	66	1,761	-	66
Collateral received / paid	-	(95)	(528)	-	(95)	(528)
	105,184	2,032	1,753	105,184	2,032	1,753
Interest rate derivatives						
Forward rate agreements	96,661	1	3	96,661	1	3
Swap agreements	342,053	2,422	2,420	341,473	2,422	2,393
Futures contracts	17,463	5	36	17,463	5	36
Options purchased	1,687	11	-	1,687	11	-
Options sold	1,645	-	11	1,645	-	11
	459,509	2,439	2,470	458,929	2,439	2,443
Equity derivatives						
Options purchased	-	-	-	-	-	-
Total derivatives held for trading	564,693	4,471	4,223	564,113	4,471	4,196
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Foreign exchange derivatives						
Spot and forward contracts	38	1	-	38	1	-
Interest rate derivatives						
Swap agreements	13,940	114	41	13,940	114	41
Total derivatives designated as cash flow hedges	13,978	115	41	13,978	115	41
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	49	3	-	49	3	-
Interest rate derivatives						
Swap agreements	33,277	276	208	33,277	276	208
Total derivatives designated as fair value hedges	33,326	279	208	33,326	279	208
Total derivatives held for hedging	47,304	394	249	47,304	394	249
Total derivative financial instruments	611,997	4,865	4,472	611,417	4,865	4,445

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated			Parent		
	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m
Unaudited 31/03/2007						
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	24,679	445	632	24,679	445	632
Swap agreements	42,476	799	912	42,476	799	912
Options purchased	3,135	89	-	3,135	89	-
Options sold	2,837	-	86	2,837	-	86
Collateral received / paid	-	(52)	(161)	-	(52)	(161)
	73,127	1,281	1,469	73,127	1,281	1,469
Interest rate derivatives						
Forward rate agreements	36,217	1	5	36,217	1	5
Swap agreements	259,843	1,406	1,494	261,126	1,431	1,519
Futures contracts	19,742	3	28	19,742	3	28
Options purchased	1,260	7	-	1,260	7	-
Options sold	1,179	-	6	1,179	-	6
	318,241	1,417	1,533	319,524	1,442	1,558
Equity derivatives						
Options purchased	20	20	-	20	20	-
Total derivatives held for trading	391,388	2,718	3,002	392,671	2,743	3,027
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Interest rate derivatives						
Swap agreements	10,113	40	46	10,113	40	46
Total derivatives designated as cash flow hedges	10,113	40	46	10,113	40	46
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	82	2	10	82	2	10
Interest rate derivatives						
Swap agreements	31,889	281	110	30,789	281	82
Total derivatives designated as fair value hedges	31,971	283	120	30,871	283	92
Total derivatives held for hedging	42,084	323	166	40,984	323	138
Total derivative financial instruments	433,472	3,041	3,168	433,655	3,066	3,165

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated			Parent		
	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m	Notional Principal Amount $m	Fair values Assets $m	Fair values Liabilities $m
Audited 30/09/2007						
Derivatives held for trading						
Foreign exchange derivatives						
Spot and forward contracts	37,155	750	1,023	37,155	750	1,023
Swap agreements	51,253	1,601	1,360	51,253	1,601	1,360
Options purchased	2,890	113	-	2,890	113	-
Options sold	2,866	-	108	2,866	-	108
Collateral received / paid	-	(530)	(115)	-	(530)	(115)
	94,164	1,934	2,376	94,164	1,934	2,376
Interest rate derivatives						
Forward rate agreements	74,574	3	4	74,574	3	4
Swap agreements	318,899	2,240	2,321	318,965	2,241	2,321
Futures contracts	17,761	4	34	17,761	4	34
Options purchased	1,703	13	-	1,703	13	-
Options sold	1,651	-	13	1,651	-	13
	414,588	2,260	2,372	414,654	2,261	2,372
Equity derivatives						
Options purchased	20	20	-	20	20	-
Total derivatives held for trading	508,772	4,214	4,748	508,838	4,215	4,748
Derivatives held for hedging						
(a) Designated as cash flow hedges						
Foreign exchange derivatives						
Spot and forward contracts	49	2	-	49	2	-
Interest rate derivatives						
Swap agreements	12,568	108	50	12,568	108	50
Total derivatives designated as cash flow hedges	12,617	110	50	12,617	110	50
(b) Designated as fair value hedges						
Foreign exchange derivatives						
Swap agreements	74	1	7	74	1	7
Interest rate derivatives						
Swap agreements	35,635	386	119	35,735	379	91
Total derivatives designated as fair value hedges	35,709	387	126	35,809	380	98
Total derivatives held for hedging	48,326	497	176	48,426	490	148
Total derivative financial instruments	557,098	4,711	4,924	557,264	4,705	4,896

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging relationships

The Banking Group has two types of allowable hedging relationships entered into by the 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 Accounting Policy (xiv).

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 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. Where the hedged item is derecognised from the Banking Group's balance sheet, the fair value adjustment is included in the income statement as 'other operating income' as a part of the gain or loss on disposal. The table below shows the gain or loss on fair value hedges by hedging instrument and hedge item attributable to the hedged risk:

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Gain or (loss) arising from fair value hedges:						
- hedged item	**134**	(364)	(259)	**134**	(364)	(259)
- hedging instrument	**(135)**	368	258	**(135)**	368	258
Net ineffectiveness on qualifying fair value hedges	**(1)**	4	(1)	**(1)**	4	(1)

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

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Balance at beginning of the period	**84**	52	52	**84**	52	52
Transferred to income statement	**(16)**	(19)	(35)	**(16)**	(19)	(35)
Tax effect of items transferred to income statement	**5**	6	12	**5**	6	12
Valuation (loss) gain taken to equity	**(17)**	50	78	**(17)**	50	78
Tax effect of net loss (gain) taken to equity	**6**	(16)	(23)	**6**	(16)	(23)
Balance at end of the period	**62**	73	84	**62**	73	84

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.

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Variable rate loan assets	**(5)**	(11)	(19)	**(5)**	(11)	(19)
Variable rate liabilities	**51**	58	69	**51**	58	69
Short term re-issuances of fixed rate customer and wholesale deposit liabilities	**16**	26	34	**16**	26	34
Total cash flow hedging reserve	**62**	73	84	**62**	73	84

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur which is anticipated to take place over the next 0 - 10 years (31/03/2007 0 -10 years; 30/09/2007 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 Banking Group (31/03/2007 less than $1 million; 30/09/2007 less than $1 million) and less than $1 million in the Bank (31/03/2007 less than $1 million; 30/09/2007 less than $1 million).

There were no transactions where cash flow hedge accounting ceased in the period ended 31 March 2008 as a result of highly probable cash flows that were no longer expected to occur (31/03/2007 no transactions; 30/09/2007 no transactions).

12. AVAILABLE-FOR-SALE ASSETS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Government, Local Body stock and bonds	**3**	3	4	**3**	3	4
Other debt securities	**38**	42	43	**28**	32	33
Equity securities	**55**	-	1	**55**	-	1
Total available-for-sale assets	**96**	45	48	**86**	35	38

13. NET LOANS AND ADVANCES

	Consolidated			Parent		
Overdrafts	**2,238**	2,061	2,012	**2,238**	2,061	2,012
Credit card outstandings	**1,412**	1,303	1,338	**1,412**	1,303	1,338
Term loans - housing	**52,700**	46,564	49,751	**52,700**	46,564	49,751
Term loans - non-housing	**36,503**	32,605	35,156	**34,462**	29,318	31,703
Finance lease receivables	**786**	752	752	**34**	40	37
Gross loans and advances	**93,639**	83,285	89,009	**90,846**	79,286	84,841
Provision for credit impairment (Note 15)	**(522)**	(457)	(466)	**(479)**	(413)	(426)
Unearned finance income	**(337)**	(264)	(290)	-	-	-
Fair value hedge adjustment	**(263)**	(364)	(442)	**(263)**	(364)	(442)
Deferred fee revenue and expenses	**(58)**	(50)	(53)	**(53)**	(47)	(49)
Capitalised brokerage/ mortgage origination fees	**120**	108	120	**120**	108	120
Total net loans and advances	**92,579**	82,258	87,878	**90,171**	78,570	84,044
Included within net loans and advances is the following related party balance:						
ANZ Holdings (New Zealand) Limited (Parent Company)	**-**	230	89	**-**	234	89

The balance owing by the Parent Company is due within the next twelve months. Interest is received at variable bank rates.

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

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Individually impaired assets								
Unaudited 31/03/2008								
Balance at beginning of the period	**7**	**20**	**88**	**115**	**7**	**7**	**79**	**93**
Transfers from productive	**8**	**45**	**68**	**121**	**8**	**41**	**57**	**106**
Transfers to productive	**-**	**-**	**(5)**	**(5)**	**-**	**-**	**(3)**	**(3)**
Assets realised or loans repaid	**(1)**	**-**	**(26)**	**(27)**	**(1)**	**-**	**(19)**	**(20)**
Write offs	**-**	**(44)**	**(1)**	**(45)**	**-**	**(40)**	**(1)**	**(41)**
Balance at end of the period	**14**	**21**	**124**	**159**	**14**	**8**	**113**	**135**
Unaudited 31/03/2007								
Balance at beginning of the period	9	19	123	151	9	12	108	129
Transfers from productive	-	40	44	84	-	37	29	66
Transfers to productive	-	-	(8)	(8)	-	-	(5)	(5)
Assets realised or loans repaid	(3)	(8)	(56)	(67)	(3)	(8)	(45)	(56)
Write offs	-	(34)	(7)	(41)	-	(31)	(7)	(38)
Balance at end of the period	6	17	96	119	6	10	80	96
Audited 30/09/2007								
Balance at beginning of the period	9	19	123	151	9	12	108	129
Transfers from productive	3	85	81	169	3	73	62	138
Transfers to productive	-	-	(15)	(15)	-	-	(11)	(11)
Assets realised or loans repaid	(5)	(9)	(92)	(106)	(5)	(9)	(71)	(85)
Write offs	-	(75)	(9)	(84)	-	(69)	(9)	(78)
Balance at end of the period	7	20	88	115	7	7	79	93

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Past due assets (90 days past due assets)[1]						
Balance at beginning of the period	**102**	86	86	**95**	78	78
Transfers to past due assets	**350**	190	360	**323**	169	326
Transfers from past due assets	**(226)**	(157)	(344)	**(202)**	(141)	(309)
Balance at end of the period	**226**	119	102	**216**	106	95
Other assets under administration						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Transfers to other assets under administration	**-**	3	3	**-**	3	3
Transfers from other assets under administration	**-**	-	(3)	**-**	-	(3)
Balance at end of the period	**-**	3	-	**-**	3	-
Undrawn facilities with impaired customers						
Balance at beginning of the period	**6**	8	8	**6**	8	8
Transfers to (from) undrawn facilities with impaired customers	**12**	(3)	(2)	**12**	(3)	(2)
Balance at end of the period	**18**	5	6	**18**	5	6
Interest foregone on impaired assets						
Gross interest receivable on impaired loans	**7**	7	12	**6**	7	11
Interest recognised	**(3)**	(2)	(4)	**(3)**	(2)	(4)
Net interest foregone on impaired loans	**4**	5	8	**3**	5	7

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

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

Further analysis of past due assets can be found in Note 32 Financial Risk Management, including an ageing analysis of all past due assets 30 days and over where the counterparty has failed to make a payment when contractually due.

Other assets under administration and undrawn facilities with impaired customers are predominantly corporate exposures.

There are no undrawn facilities with 90 day past due customers or customers within the other assets under administration category as at 31 March 2008 (31 March 2007 nil; 30 September 2007 nil).

As at 31 March 2008, the Banking Group did not have any restructured assets or material assets acquired through enforcement of security (31 March 2007 nil; 30 September 2007 nil).

15. PROVISION FOR CREDIT IMPAIRMENT

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2008								
Collective provision								
Balance at beginning of the period	**58**	**130**	**234**	**422**	**58**	**117**	**217**	**392**
Transfer of credit valuation adjustment on derivative financial instruments	**-**	**-**	**3**	**3**	**-**	**-**	**3**	**3**
Charge to income statement	**4**	**15**	**27**	**46**	**4**	**14**	**25**	**43**
Balance at end of the period	**62**	**145**	**264**	**471**	**62**	**131**	**245**	**438**
Individual provision (individually impaired assets)								
Balance at beginning of the period	**4**	**13**	**27**	**44**	**4**	**5**	**25**	**34**
Charge to income statement	**(2)**	**34**	**15**	**47**	**(2)**	**32**	**13**	**43**
Recoveries of amounts previously written off	**-**	**7**	**1**	**8**	**-**	**7**	**1**	**8**
Bad debts written off	**-**	**(44)**	**(1)**	**(45)**	**-**	**(40)**	**(1)**	**(41)**
Discount unwind[1]	**-**	**-**	**(3)**	**(3)**	**-**	**-**	**(3)**	**(3)**
Balance at end of the period	**2**	**10**	**39**	**51**	**2**	**4**	**35**	**41**
Total provision for credit impairment	**64**	**155**	**303**	**522**	**64**	**135**	**280**	**479**
Unaudited 31/03/2007								
Collective provision								
Balance at beginning of the period	51	132	219	402	51	115	198	364
Charge to income statement	3	2	3	8	3	3	5	11
Balance at end of the period	54	134	222	410	54	118	203	375
Individual provision (individually impaired assets)								
Balance at beginning of the period	3	16	39	58	3	9	39	51
Charge to income statement	-	23	(1)	22	-	20	(2)	18
Recoveries of amounts previously written off	-	9	1	10	-	9	-	9
Bad debts written off	-	(34)	(7)	(41)	-	(31)	(7)	(38)
Discount unwind[1]	-	-	(2)	(2)	-	-	(2)	(2)
Balance at end of the period	3	14	30	47	3	7	28	38
Total provision for credit impairment	57	148	252	457	57	125	231	413

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

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15. PROVISION FOR CREDIT IMPAIRMENT (CONTINUED)

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Audited 30/09/2007								
Collective provision								
Balance at beginning of the period	51	132	219	402	51	115	198	364
Charge to income statement	7	(2)	15	20	7	2	19	28
Balance at end of the period	58	130	234	422	58	117	217	392
Individual provision (individually impaired assets)								
Balance at beginning of the period	3	16	39	58	3	9	39	51
Charge to income statement	1	55	(2)	54	1	48	(2)	47
Recoveries of amounts previously written off	-	17	3	20	-	17	1	18
Bad debts written off	-	(75)	(9)	(84)	-	(69)	(9)	(78)
Discount unwind[1]	-	-	(4)	(4)	-	-	(4)	(4)
Balance at end of the period	4	13	27	44	4	5	25	34
Total provision for credit impairment	62	143	261	466	62	122	242	426

Provision movement analysis

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
New and increased provisions	**62**	43	92	**56**	38	82
Provision releases	**(7)**	(11)	(18)	**(5)**	(11)	(17)
	55	32	74	**51**	27	65
Recoveries of amounts previously written off	**(8)**	(10)	(20)	**(8)**	(9)	(18)
Individual provision charge	**47**	22	54	**43**	18	47
Collective provision charge	**46**	8	20	**43**	11	28
Charge to income statement	**93**	30	74	**86**	29	75

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

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16. SHARES IN CONTROLLED ENTITIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Shares in controlled entities						
Unquoted at cost	**-**	-	-	**7,461**	7,464	7,473
Shares in associates						
Unquoted at cost plus equity accounted adjustments	**142**	5	10	**88**	3	2
Shares in jointly controlled entities						
Unquoted at cost plus equity accounted adjustments	**208**	185	196	**220**	202	208
Total shares in controlled entities, associates and jointly controlled entities	**350**	190	206	**7,769**	7,669	7,683
Shares in associates comprise:						
Balance at beginning of the period	**10**	3	3	**2**	3	3
Acquisitions	**46**	2	8	**-**	-	-
Disposals	**-**	-	(1)	**-**	-	-
Transfers to subsidiary company	**-**	-	-	**-**	-	(1)
Fair value adjustment	**2**	-	-	**2**	-	-
Share of profit of equity accounted associates[1]	**84**	-	-	**84**	-	-
Balance at end of the period	**142**	5	10	**88**	3	2

Shares in associates at 31 March 2008 includes goodwill of $54 million (31/03/2007 $2 million; 30/09/2007 $8 million) for the Banking Group and $nil million (31/03/2007 $nil; 30/09/2007 $nil) for the Parent.

	Consolidated			Parent		
Shares in jointly controlled entities comprise:						
Balance at beginning of the period	**196**	174	174	**208**	191	191
Disposals	**-**	-	(2)	**-**	-	-
Transfers to subsidiary company	**-**	-	-	**-**	-	(5)
Share of profit of equity accounted jointly controlled entities	**12**	11	24	**12**	11	22
Balance at end of the period	**208**	185	196	**220**	202	208

Shares in jointly controlled entities at 31 March 2008 includes goodwill of $97 million (31/03/2007 $99 million; 30/09/2007 $97 million) for the Banking Group and $90 million (31/03/2007 $90 million; 30/09/2007 $90 million) for the Parent.

[1]The Banking Group, via its associate, Cards NZ Limited, acquired shares in Visa in March 2008, resulting in an equity accounted profit of $84 million being recognised on the sale of the shares at fair value by Cards NZ Limited. Visa shares not sold into the initial public offering are held as an available-for-sale asset on the balance sheet.

17. OTHER ASSETS

	Consolidated			Parent		
Accrued interest and prepaid discounts	**526**	481	537	**494**	414	487
Accrued commission	**18**	11	12	**15**	8	9
Defined benefit schemes surplus	**-**	14	8	**-**	14	8
Share-based payments asset	**51**	38	37	**51**	38	37
Prepaid expenses	**53**	34	30	**47**	28	23
Security settlements	**9**	44	137	**9**	44	137
Other assets	**338**	178	284	**290**	140	219
Total other assets	**995**	800	1,045	**906**	686	920

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18. DEFERRED TAX ASSETS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Deferred tax assets						
Balance at beginning of the period	**11**	122	122	**-**	105	105
Credited (charged) to income statement	**2**	21	(38)	**7**	17	(37)
Set-off of deferred tax liabilities pursuant to set-off provisions[1]	**43**	(52)	(73)	**36**	(54)	(68)
Balance at end of the period	**56**	91	11	**43**	68	-
Deferred tax assets comprise the following temporary differences:						
Provision for credit impairment	**158**	151	140	**146**	137	129
Deferred fee revenue and expenses	**3**	4	3	**3**	4	3
Premises and equipment	**(1)**	4	2	**(3)**	(1)	(2)
Software	**31**	33	32	**32**	32	32
Provisions and accruals	**98**	93	103	**91**	84	95
Derivative financial instruments	**4**	47	3	**5**	47	4
Defined benefit schemes	**2**	-	-	**2**	-	-
Other	**1**	21	11	**1**	21	9
	296	353	294	**277**	324	270
Set-off of deferred tax liabilities pursuant to set-off provisions[1]	**(240)**	(262)	(283)	**(234)**	(256)	(270)
Net deferred tax assets	**56**	91	11	**43**	68	-
The deferred tax credited (charged) to the income statement comprises the following temporary differences:						
Provision for credit impairment	**18**	(1)	(12)	**17**	-	(8)
Deferred fee revenue and expenses	**-**	(1)	(2)	**-**	(1)	(2)
Premises and equipment	**(3)**	-	(2)	**(1)**	-	(1)
Software	**(1)**	1	-	**-**	1	1
Provisions and accruals	**(5)**	(6)	4	**(4)**	(11)	-
Derivative financial instruments	**1**	38	(6)	**1**	38	(5)
Defined benefit schemes	**2**	-	-	**2**	-	-
Other	**(10)**	(10)	(20)	**(8)**	(10)	(22)
Total deferred tax credited (charged) to the income statement	**2**	21	(38)	**7**	17	(37)

There was no deferred tax asset charged or credited to equity as at 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil). There were no unrecognised deferred tax assets as at 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil).

The reduction in the corporate tax rate from 33% to 30% from the 2009 tax year has been taken into account in calculating the value of deferred tax assets as at 31 March 2008 and 30 September 2007. As the legislation was passed in May 2007, the value of deferred tax assets as at 31 March 2007 has not been effected by this change.

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.

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19. PREMISES AND EQUIPMENT

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Freehold and leasehold land and buildings						
At cost	**69**	68	69	**-**	-	-
Accumulated depreciation	**(12)**	(11)	(12)	**-**	-	-
Total carrying amount	**57**	57	57	**-**	-	-
Leasehold improvements						
At cost	**97**	94	97	**1**	1	1
Accumulated depreciation	**(75)**	(71)	(73)	**-**	-	-
Total carrying amount	**22**	23	24	**1**	1	1
Furniture and equipment						
At cost	**244**	236	244	**17**	17	17
Accumulated depreciation	**(172)**	(159)	(166)	**(10)**	(9)	(10)
Total carrying amount	**72**	77	78	**7**	8	7
Computer and office equipment						
At cost	**245**	236	239	**203**	198	200
Accumulated depreciation	**(193)**	(184)	(189)	**(164)**	(155)	(161)
Total carrying amount	**52**	52	50	**39**	43	39
Work in progress	**35**	16	23	**7**	2	7
Total premises and equipment	**238**	225	232	**54**	54	54

20. GOODWILL AND OTHER INTANGIBLE ASSETS

	Consolidated			Parent		
Goodwill						
Gross carrying amount						
Balance at beginning and end of the period	**3,265**	3,265	3,265	**3,217**	3,217	3,217
Software						
Gross carrying amount						
Balance at beginning of the period	**68**	51	51	**66**	50	50
Additions from internal developments	**6**	8	17	**5**	7	16
Balance at end of the period	**74**	59	68	**71**	57	66
Accumulated amortisation						
Balance at beginning of the period	**(39)**	(32)	(32)	**(39)**	(32)	(32)
Amortisation expense[1]	**(4)**	(3)	(7)	**(3)**	(3)	(7)
Balance at end of the period	**(43)**	(35)	(39)	**(42)**	(35)	(39)
Total software	**31**	24	29	**29**	22	27
Other intangible assets	**3**	4	3	**3**	4	3
Total goodwill and other intangible assets	**3,299**	3,293	3,297	**3,249**	3,243	3,247

No impairment losses have been recognised against the gross carrying amount of goodwill, software and other intangible assets for the six months ended 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil).

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

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21. DUE TO OTHER FINANCIAL INSTITUTIONS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**593**	2,106	1,140	**-**	-	-
Securities sold under agreements to repurchase	**198**	233	300	**198**	233	300
Other financial institutions	**1,593**	1,839	1,730	**1,234**	1,508	1,386
Total due to other financial institutions	**2,384**	4,178	3,170	**1,432**	1,741	1,686
Included within due to other financial institutions is the following balance:						
Balances owing to the Ultimate Parent Company by ANZ National (Int'l) Limited guaranteed by the Bank	**593**	2,106	1,140	**-**	-	-

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

22. DEPOSITS AND OTHER BORROWINGS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Amortised cost						
Certificates of deposit	**5,517**	5,190	4,447	**5,517**	5,190	4,447
Term deposits	**30,348**	25,882	28,998	**30,348**	25,882	28,998
Demand deposits bearing interest	**21,209**	21,803	21,128	**21,209**	21,388	20,715
Deposits not bearing interest	**4,305**	4,158	4,354	**4,305**	4,158	4,354
Secured debenture stock	**1,763**	1,960	1,786	**-**	-	-
Secured deposits	**-**	200	-	**-**	-	-
Total deposits and other borrowings recognised at amortised cost	**63,142**	59,193	60,713	**61,379**	56,618	58,514
Fair value through the profit or loss						
Commercial paper	**10,938**	5,565	9,317	**-**	-	-
Total deposits and other borrowings recognised at fair value	**10,938**	5,565	9,317	**-**	-	-
Total deposits and other borrowings	**74,080**	64,758	70,030	**61,379**	56,618	58,514

The principal at maturity of commercial paper at fair value through the profit and loss is $11,014 million (31/03/2007 $5,645 million; 30/09/2007 $9,404 million).

The Banking Group has not defaulted on any principal, interest or redemption amounts on its borrowed funds during the period ended 31 March 2008 (31/03/2007 nil; 30/09/2007 nil). Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Banking Group. In the unlikely event that the Bank was put into liquidation or ceased to trade, secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

	Consolidated			Parent		
Included within deposits and other borrowings are the following balances:						
Commercial paper issued by ANZ National (Int'l) Limited guaranteed by the Bank at amortised cost	**10,933**	5,570	9,319	**-**	-	-
UDC Finance Limited secured debentures						
Carrying value of total tangible assets	**2,064**	2,248	2,065	**-**	-	-

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

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23. PAYABLES AND OTHER LIABILITIES

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Creditors	**42**	57	55	**27**	35	28
Accrued interest and unearned discounts	**787**	609	770	**643**	483	582
Defined benefit schemes deficit	**5**	-	-	**5**	-	-
Share-based payments liability	**24**	15	20	**24**	15	20
Accrued charges	**162**	119	170	**154**	111	161
Security settlements	**270**	312	37	**270**	312	37
Equitable assignment of mortgages[1]	**28**	37	32	**28**	37	32
Other liabilities	**328**	252	267	**263**	127	128
Total payables and other liabilities	**1,646**	1,401	1,351	**1,414**	1,120	988

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

24. DEFERRED TAX LIABILITIES

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Provision for deferred income tax						
Balance at beginning of the period	**-**	-	-	**7**	-	-
(Credited) charged to income statement	**(32)**	42	62	**(32)**	44	64
(Credited) charged directly to equity	**(11)**	10	11	**(11)**	10	11
Set-off of deferred tax liabilities pursuant to set-off provisions[1]	**43**	(52)	(73)	**36**	(54)	(68)
Balance at end of the period	**-**	-	-	**-**	-	7
Deferred tax liabilities comprise the following temporary differences:						
Lease finance	**76**	104	110	**71**	98	104
Share compensation	**-**	8	-	**-**	8	-
Defined benefit schemes	**-**	5	2	**-**	5	2
Other	**164**	145	171	**163**	145	171
	240	262	283	**234**	256	277
Set-off of deferred tax liabilities pursuant to set-off provisions[1]	**(240)**	(262)	(283)	**(234)**	(256)	(270)
Net deferred tax liabilities	**-**	-	-	**-**	-	7
The deferred tax (credited) charged to the income statement comprises the following temporary differences:						
Lease finance	**(34)**	14	20	**(33)**	16	22
Share compensation	**-**	4	(4)	**-**	4	(4)
Defined benefit schemes	**(2)**	3	-	**(2)**	3	-
Other	**4**	21	46	**3**	21	46
Total deferred tax (credited) charged to the income statement	**(32)**	42	62	**(32)**	44	64
The deferred tax (credited) charged to equity comprises the following temporary differences:						
Cash flow hedges	**(11)**	10	11	**(11)**	10	11
Total deferred tax (credited) charged directly to equity	**(11)**	10	11	**(11)**	10	11

The reduction in the corporate tax rate from 33% to 30% from the 2009 tax year has been taken into account in calculating the value of deferred tax liabilities as at 31 March 2008 and 30 September 2007. As the legislation was passed in May 2007, the value of deferred tax liabilities as at 31 March 2007 has not been effected by this change.

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.

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25. PROVISIONS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Non-lending losses, frauds and forgeries	**3**	3	3	**3**	3	3
Employee entitlements[1]						
Balance at beginning of the period	**110**	107	107	**108**	106	106
New provisions	**32**	28	56	**31**	28	54
Provisions utilised	**(30)**	(29)	(53)	**(29)**	(29)	(52)
Balance at end of the period	**112**	106	110	**110**	105	108
Personnel restructuring costs[2]						
Balance at beginning of the period	**2**	9	9	**2**	9	9
Provisions utilised	**(1)**	(3)	(7)	**(1)**	(3)	(7)
Balance at end of the period	**1**	6	2	**1**	6	2
Redundant assets restructuring costs[2]						
Balance at beginning of the period	**2**	5	5	**2**	2	2
Transfers from subsidiary companies	**-**	-	-	**-**	1	1
Provisions utilised	**(1)**	(2)	(3)	**(1)**	(1)	(1)
Balance at end of the period	**1**	3	2	**1**	2	2
Other provisions	**37**	38	48	**29**	23	36
Total provisions	**154**	156	165	**144**	139	151

1. 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 accrues.
2. Restructuring cost provisions arise from exit activities relating to material changes in the scope or manner of business undertaken by the Banking Group and includes termination benefits. Provisions are made when the 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 2008 are expected to be settled over the 2008 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.

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26. BONDS AND NOTES

					Consolidated		
					Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Issued by ANZ National Bank Limited (Parent)							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
NZD	150m	fixed rate notes	2009	6.82%	**150**	150	150
NZD	150m	fixed rate notes	2011	6.80%	**150**	150	150
NZD	70m	floating rate notes	2010	3 month BKBM + 0.35%	**70**	-	-
Other bonds and notes[1]					**209**	209	261
					579	509	561
Issued by ANZ National (Int'l) Limited							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
USD	100m	floating rate notes	2007	3 month LIBOR - 0.10%	**-**	140	-
EUR	25m	floating rate notes	2007	3 month EURIBOR - 0.08%	**-**	47	-
GBP	250m	floating rate notes[2]	2007	3 month LIBOR - 0.01%	**-**	688	668
NZD	150m	fixed rate notes	2008	6.50%	**-**	150	150
JPY	9,000m	floating rate notes	2008	3 month JPY LIBOR	**-**	107	103
GBP	40m	floating rate notes	2008	3 month GBP LIBOR - 0.065%	**-**	110	107
EUR	100m	floating rate notes	2008	3 month EURIBOR + 0.02%	**199**	187	187
GBP	300m	floating rate notes	2008	3 month GBP LIBOR + 0.01%	**755**	825	802
HKD	80m	fixed rate notes	2008	3.93%	**13**	14	14
USD	27m	fixed rate notes[3]	2008	5.00%	**34**	38	36
USD	120m	floating rate notes	2008	3 month LIBOR - 0.06%	**151**	168	158
USD	250m	fixed rate notes	2008	4.265%	**315**	350	330
USD	750m	floating rate notes	2008	3 month LIBOR + 0.07%	**946**	1,050	991
USD	1,491m	floating rate notes[4]	2008	1 month LIBOR + 0.01%	**1,881**	2,088	1,969
NZD	200m	fixed rate notes	2008	9.20%	**200**	-	-
JPY	15,000m	floating rate notes	2008	3 month JPY LIBOR	**189**	-	-
EUR	750m	floating rate notes	2009	3 month EURIBOR + 0.12%	**1,495**	1,401	1,403
HKD	1,000m	fixed rate notes	2009	4.40%	**162**	179	170
NZD	150m	floating rate notes	2009	3 month BKBM + 0.10%	**150**	150	150
HKD	300m	fixed rate notes	2009	4.93%	**49**	54	51
HKD	280m	fixed rate notes	2009	4.44%	**45**	50	48
USD	750m	floating rate notes	2009	3 month LIBOR + 0.04%	**946**	1,050	991
USD	250m	floating rate notes	2009	3 month Prime - 2.9125%	**315**	350	330
USD	300m	floating rate notes	2009	1 month LIBOR + 0.04%	**378**	420	396
NZD	20m	floating rate notes	2009	3 month BKBM + 0.05%	**20**	20	20
EUR	300m	floating rate notes	2009	3 month EUR LIBOR + 0.15%	**598**	-	561
JPY	17,770m	fixed rate notes	2009	0.055%	**224**	-	-
JPY	17,500m	floating rate notes	2009	3 month JPY LIBOR	**221**	-	-
USD	9m	floating rate notes[4]	2009	1 month LIBOR + 0.01%	**11**	13	12
USD	2,000m	floating rate notes[5]	2009	3 month LIBOR + 0.22%	**2,523**	-	-
HKD	150m	floating rate notes[6]	2010	6 month HIBOR + 0.60%	**24**	27	26
HKD	190m	floating rate notes[7]	2010	6 month HIBOR + 0.60%	**31**	34	32
HKD	200m	floating rate notes[8]	2010	6 month HIBOR + 0.60%	**-**	36	34
USD	750m	floating rate notes	2010	3 month LIBOR + 0.11%	**946**	1,050	991
NZD	100m	floating rate notes	2010	3 month BKBM + 0.05%	**100**	100	100
USD	300m	fixed rate notes	2011	5.50%	**378**	420	396
GBP	435m	floating rate notes	2011	3 month LIBOR + 0.05%	**1,095**	963	1,069
HKD	200m	fixed rate notes[9]	2011	5.10%	**-**	36	34
HKD	200m	fixed rate notes[10]	2011	4.90%	**-**	36	34
GBP	450m	floating rate notes[2]	2012	6 month GBP LIBOR + 0.08%	**1,133**	-	1,203
					15,527	12,351	13,566

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26. BONDS AND NOTES (CONTINUED)

					Consolidated		
					Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Issued by NBNZ Holdings Limited							
Denomination	**Face value**		**Maturity**	**Interest rate %**			
NZD	480m	floating rate notes[11]	2008	3 month BKBM	**480**	480	480
Total bonds and notes					**16,586**	13,340	14,607
Included within bonds and notes is the following related party balance:							
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)					**1,133**	688	1,871

1. Other bonds and notes includes index linked notes, equity linked notes and other fixed rate and fixed term bonds.
2. These notes were issued to Australia and New Zealand Banking Group Limited.
3. The interest rate payable on these notes is stepped as follows: Year 1 3.00%, Year 2 3.25%, Year 3 3.50%, Year 4 4.25% and Year 5 5.00%. The issuer may elect to redeem the notes annually from May 2004.
4. 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 investor may elect to extend the maturity of the notes for a year on a monthly basis. Between 7 August 2007 and 7 December 2007, investors elected not to extend USD 1,491 million of bonds which has resulted in these bonds carrying 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 6 million.
5. 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 investor may elect to extend the maturity of the notes for a year on a 3 monthly basis.
6. The interest rate payable on these notes is stepped as follows: Year 1 3.77%, Years 2 - 5 HIBOR + 0.60%. For each 6 month period after Year 1, there is a maximum interest rate payable, starting at 3.75% after Year 1 and stepping up 0.25% every 6 months. The issuer has the right to redeem the notes on every semi-annual coupon date from 28 April 2006. The issuer exercised their option to call the note on 28 April 2008.
7. The interest rate payable on these notes is stepped as follows: Year 1 3.77%, Years 2 - 5 HIBOR + 0.60%. For each 6 month period after Year 1, there is a maximum interest rate payable, starting at 3.75% after Year 1 and stepping up 0.25% every 6 months. The issuer has the right to redeem the notes on every semi-annual coupon date from 28 April 2006. The issuer exercised their option to call the note on 28 April 2008.
8. The interest rate payable on these notes is stepped as follows: Year 1 HIBOR + 1.26%, Years 2 - 5 HIBOR + 0.60%. For each 6 month period after Year 1, there is a maximum interest rate payable, starting at 4.00% after Year 1 and stepping up 0.25% every 6 months. The issuer exercised their option to call the note on 26 November 2007.
9. The interest rate payable on these notes is stepped as follows: Year 1 5.10% per annum, Year 2 4.65% per annum, Years 3, 4 and 5 4.40% per annum. The issuer exercised their option to call the note on 5 December 2007.
10. The interest rate payable on these notes is stepped as follows: Year 1 4.90% per annum, Year 2 4.65% per annum, Years 3, 4 and 5 4.40% per annum. The issuer exercised their option to call the note on 6 December 2007.
11. These notes can be redeemed by the noteholder giving not less than 30 days notice.

Bonds and notes issued by ANZ National (Int'l) Limited are guaranteed by the Bank.

27. DUE TO PARENT COMPANY

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
ANZ Holdings (New Zealand) Limited (Parent Company)	**1,758**	2,764	2,775	**1,758**	2,764	2,775

These funds have been borrowed in New Zealand dollars on an overnight basis and are at call. Interest is payable monthly, based on New Zealand overnight deposit rates.

28. LOAN CAPITAL

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
AUD 207,450,000 term subordinated floating rate loan	**239**	234	242	**239**	234	242
AUD 265,740,000 perpetual subordinated floating rate loan	**307**	301	309	**307**	301	309
AUD 186,100,000 term subordinated floating rate loan	**215**	211	217	**215**	211	217
AUD 43,767,507 term subordinated floating rate loan	**51**	50	51	**51**	50	51
AUD 169,520,000 term subordinated floating rate loan	**196**	-	197	**196**	-	197
NZD term subordinated fixed rate bonds	**1,045**	1,243	1,046	**1,045**	1,243	1,046
Total loan capital	**2,053**	2,039	2,062	**2,053**	2,039	2,062

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28. LOAN CAPITAL (CONTINUED)

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Included within loan capital is the following related party balance:						
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**1,008**	796	1,016	**1,008**	796	1,016

AUD 207,450,000 loan

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

AUD 265,740,000 loan

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

AUD 186,100,000 loan

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

AUD 43,767,507 loan

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

AUD 169,520,000 loan

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

NZD term subordinated fixed rate bonds

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

New Zealand Exchange listed bonds

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

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 15/09/2006; 02/03/2007 and 23/07/2007 bonds respectively. Interest is payable half yearly in arrears based on the fixed coupon rate.

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

As at 31 March 2008, these bonds carried an AA- rating by Standard & Poor's.

Non listed bond

Issue date	*Amount $m*	*Coupon rate*	*Call date*	*Maturity date*
20 February 2003	100	6.46%	20 August 2008	20 August 2013

The Bank may elect to redeem this bond on its 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 0.97% p.a. Interest is payable half yearly in arrears based on the fixed coupon rate.

As at 31 March 2008, these bonds carried an AA- rating by Standard & Poor's.

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

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

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29. ORDINARY SHARE CAPITAL

	Consolidated			Parent		
	Unaudited 31/03/2008 Number of Issued Shares	Unaudited 31/03/2007 Number of Issued Shares	Audited 30/09/2007 Number of Issued Shares	**Unaudited 31/03/2008 Number of Issued Shares**	Unaudited 31/03/2007 Number of Issued Shares	Audited 30/09/2007 Number of Issued Shares
Ordinary shares at beginning and end of the period	**700,755,498**	700,755,498	700,755,498	**700,755,498**	700,755,498	700,755,498

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Ordinary share capital at beginning and end of the period	**5,943**	5,943	5,943	**5,943**	5,943	5,943

The authorised share capital of the Bank comprises 700,755,498 ordinary shares. At beginning and end of the period, 650,712 ordinary shares were uncalled (31/03/2007 650,712 shares; 30/09/2007 650,712 shares).

Voting rights

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

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

30. RESERVES AND RETAINED EARNINGS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Available-for-sale revaluation reserve						
Balance at beginning of the period	**(1)**	3	3	**(1)**	3	3
Valuation gain (loss) recognised after tax	**16**	-	(1)	**16**	-	(1)
Cumulative gain transferred to the income statement on sale of financial assets	**-**	(3)	(3)	**-**	(3)	(3)
Balance at end of the period	**15**	-	(1)	**15**	-	(1)
Cash flow hedging reserve						
Balance at beginning of the period	**84**	52	52	**84**	52	52
Valuation (loss) gain recognised after tax	**(11)**	34	55	**(11)**	34	55
Transferred to income statement	**(11)**	(13)	(23)	**(11)**	(13)	(23)
Balance at end of the period	**62**	73	84	**62**	73	84
Total reserves	**77**	73	83	**77**	73	83
Retained earnings						
Balance at beginning of the period	**2,677**	2,235	2,235	**1,701**	651	651
Profit after income tax	**692**	635	1,168	**459**	425	1,776
Total available for appropriation	**3,369**	2,870	3,403	**2,160**	1,076	2,427
Actuarial (loss) gain on defined benefit schemes after tax	**(8)**	6	2	**(8)**	6	2
Interim ordinary dividends paid	**-**	-	(728)	**-**	-	(728)
Balance at end of the period	**3,361**	2,876	2,677	**2,152**	1,082	1,701

The paid dividend on ordinary shares was $nil per share (31/03/2007 $nil per share; 30/09/2007 $1.04 per share).

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31. CAPITAL ADEQUACY

Adoption of Basel II Accord

The Bank received accreditation from the RBNZ to adopt the internal ratings based approach under the Basel II Accord on 10 December 2007 for calculating capital adequacy ratios, effective 31 March 2008. The objective of the Basel II Accord is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel II consists of three pillars - Pillar I covers the capital requirements for banks for credit, operational and market risks, Pillar II covers all other material risks not already included in Pillar I, and Pillar III relates to market disclosure. Pillar III has resulted in increased disclosures since the previous General Disclosure Statement.

CAPITAL MANAGEMENT POLICIES

The Bank is subject to regulation by the RBNZ. The RBNZ sets minimum capital requirements that the Bank must comply with that are specified in the Bank's conditions of registration. The Bank's updated Conditions of Registration, effective 31 March 2008, now require capital adequacy ratios for the Banking Group to be calculated under the Basel II framework in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) dated March 2008. In prior periods, risk weighted exposures for the Banking Group were calculated under the Basel I framework in accordance with the RBNZ document entitled 'Capital Adequacy Framework' (BS2) dated March 2007.

The RBNZ defines total regulatory capital as tier one capital plus tier two capital less deductions from total capital. Currently, tier one capital consists of equity less prescribed deductions such as goodwill. Tier two capital consists of subordinated loan capital less any prescribed deductions.

Additional deductions from tier one and tier two capital are now required where total expected loss (using RBNZ credit risk assumptions) exceeds the total eligible allowances for impairment following the implementation of the Basel II framework effective 31 March 2008.

The Bank has an Internal Capital Adequacy Assessment Process ('ICAAP') in place which is being revised to comply with the requirements set out in the RBNZ document entitled 'Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')' (BS12) from 31 August 2008, under the Bank's Conditions of Registration. The Bank's ICAAP incorporates overall capital policies and objectives, capital management policies and plans, allocation of capital to business units and stress testing of both risk and capital positions.

The Bank's ICAAP policy outlines the core capital management principles that must be maintained to demonstrate that its capital levels: consider all material risks; are consistent with its overall risk appetite and profile, current operating environment and stage in business cycle; and that forward-looking stress testing of capital requirements is performed.

The Bank's core capital objectives are to:

- Protect the interests of depositors, creditors and the shareholder.
- Ensure the safety and soundness of the Bank's capital position.
- Ensure that the capital base supports the Bank's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes setting, monitoring and obtaining assurance for the Bank's ICAAP policy and framework, standardised risk definitions for all material risks, materiality thresholds, capital adequacy targets, internal economic risk capital principles and risk appetite.

The Board has set capital minimum, trigger and operating range targets for both tier one and total capital that ensure sufficient capital is maintained to:

- Meet minimum prudential requirements as defined in the Bank's Conditions of Registration.
- Ensure consistency with the Bank's overall risk profile and financial positions, taking into account its strategic focus and business plan.
- Support the economic risk capital requirements of the business. The Bank aims to maintain capital consistent with a AA credit rating.

These targets were revised during April 2008 to reflect the implementation of Basel II capital methodologies effective 31 March 2008.

The Bank's Asset & Liability Committee and its related Capital Management sub-committee are responsible for developing, implementing and maintaining the Bank's ICAAP framework including ongoing monitoring, reporting and compliance.

The Bank's ICAAP will be subject to independent and periodic review. This will take the form of a phased review approach that will be conducted by internal/external audit as appropriate.

The Bank has complied with all externally imposed capital requirements to which it is subject during the period.

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31. CAPITAL ADEQUACY (CONTINUED)

CAPITAL ADEQUACY RATIOS UNDER THE BASEL II INTERNAL MODELS BASED APPROACH[1]

	RBNZ minimum ratios 31/03/2008	Consolidated Unaudited 31/03/2008
Tier One Capital	4.00%	7.36%
Total Capital	8.00%	9.84%

Capital of the Banking Group as at 31 March 2008 (Unaudited)

	$m
Tier One Capital	
Ordinary share capital	5,943
Revenue and similar reserves	2,746
Current period's profit after tax	692
Less deductions from Tier One Capital	
- Goodwill	3,265
- Other intangible assets	34
- Equity investment in ING NZ	201
- Cash flow hedging reserve	62
- 50% of total expected loss to the extent greater than total eligible allowances for impairment	140
Total Tier One Capital	5,679
Tier Two Capital - Upper Level Tier Two Capital	
Perpetual subordinated debt	307
Tier Two Capital - Lower Level Tier Two Capital	
Term subordinated debt	1,746
	2,053
Less deductions from Tier Two Capital	
- 50% of total expected loss to the extent greater than total eligible allowances for impairment	140
Total Tier Two Capital	1,913
Total Capital	7,592

	Exposure at default $m	Risk weighted exposure or implied risk weighted exposure $m	Total capital requirement $m
Total required capital of the Banking Group as at 31 March 2008 (Unaudited)			
Internal ratings based approach	129,706	54,902	4,392
Specialised lending subject to the slotting approach	8,921	8,719	698
Other internal ratings based exposures	3,115	772	62
Equity exposures	219	929	74
Standardised approach	1,272	510	40
Total credit risk	143,233	65,832	5,266
Operational risk	n/a	5,593	447
Market risk	n/a	3,573	286
Supervisory adjustment[2]	n/a	2,131	170
Total capital requirement	143,233	77,129	6,169

1. Basel II capital ratios for the 31 March 2007 and 30 September 2007 comparative periods have not been provided as the information is not readily available. The Bank was only accredited to adopt the internal models based approach under Basel II on 10 December 2007.

2. The supervisory adjustment includes an adjustment of 15% of risk-weighted retail mortgages and an adjustment, if required, in order to maintain the Basel II minimum capital requirement at no less than 90% of the Basel I minimum capital requirement, in accordance with the Bank's Conditions of Registration. No adjustment was required to maintain the Basel II minimum capital requirement at no less than 90% of the Basel I minimum capital requirement at 31 March 2008.

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31. CAPITAL ADEQUACY (CONTINUED)

CAPITAL ADEQUACY RATIOS UNDER THE BASEL I APPROACH

	Consolidated			Registered Bank		
	Unaudited 31/03/2008	Unaudited 31/03/2007	Audited 30/09/2007	**Unaudited 31/03/2008**	Unaudited 31/03/2007	Audited 30/09/2007
Tier One Capital	**7.59%**	7.98%	7.19%	**7.34%**	7.68%	6.98%
Total Capital	**10.27%**	11.03%	10.08%	**9.23%**	9.82%	9.02%
Total risk-weighted exposures	**76,620**	66,866	71,311	**74,836**	65,267	69,489
RBNZ minimum ratios:						
Tier One Capital	**4.00%**	4.00%	4.00%	**4.00%**	4.00%	4.00%
Total Capital	**8.00%**	8.00%	8.00%	**8.00%**	8.00%	8.00%

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

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

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

The IRB approach is more sophisticated than Basel I, in that it offers a number of dimensions to build a risk-weighted exposure profile that more accurately reflects the Banking Group's actual risk position. Under this framework, banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of Probability of Default, Exposure at Default and Loss Given Default. For exposures classified under Specialised Lending, specifically Project Finance and Income-Producing Real Estate, the Banking Group uses slotting tables supplied by the RBNZ rather than internal estimates.

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

Set out below is a schedule showing the classification of Banking Group exposures according to rating approach:

Internal Ratings Based Approach

IRB Asset Class	Borrower Type	Rating Approach
Sovereign	Crown	IRB - Advanced
	RBNZ	IRB - Advanced
	Any other sovereign and its central bank	IRB - Advanced
Bank	Registered banks	IRB - Advanced
Corporate	Corporation, partnerships or proprietorships that do not fit any other asset classification	IRB - Advanced
	Corporate Small to Medium Enterprises ('SME') with turnover of less than $50 million	IRB - Advanced
Specialised lending	Project Finance	IRB - Slotting
	Income-Producing Real Estate	IRB - Slotting
Equity		IRB
Retail Mortgages	Individuals' borrowings against residential property	IRB
Other Retail	Other lending to individuals (including credit cards)	IRB
	SME business borrowers	IRB
Other assets	All other assets not falling within any of the above classes	IRB

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

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31. CAPITAL ADEQUACY (CONTINUED)

Standardised Approach

Asset Class	Exposure Type	Reason for Standardised Approach	Future treatment
Corporate	ANZ Retail residential investment loans	System constraints	Move to IRB
	Purchased receivables	Nature of product	Remain Standardised
	Merchant card prepayment exposures	System constraints	Move to IRB
	Corporate credit cards	System constraints	Move to IRB
Bank	Mondex	Immaterial	Remain Standardised

The Banking Group's internal models are used to generate the three key risk components that serve as inputs to the IRB approach to credit risk are:

- Probability of default (PD).
- Exposure at default (EAD).
- Loss given default (LGD).

Effective maturity (M) is also calculated as an input to the risk weighted exposure calculation for exposures other than Retail Mortgages and Other Retail.

Probability of default (PD)

PD is an estimate of the level of the risk of borrower default. Customers are graded by way of automated rating models used both at loan origination and for ongoing monitoring. Specific rating models are designed for each type of exposure and/or customer within the asset classification framework. Further, Retail Mortgage and Other Retail exposures are allocated to specific pools of exposures that are homogeneous in nature, but differentiate risk characteristics.

For some asset classes, the Bank's internal PD ratings have been modified in the Pillar 1 calculation to reflect RBNZ prescribed credit risk estimates.

Exposure at default (EAD)

EAD is defined as the expected facility exposure at the date of default, including post-default drawings for facilities where the drawings were legally committed to prior to default. This reflects the possibility of additional drawings by the borrower up to and after the time a default event is triggered for some product types. Uncommitted post default drawings are netted against cash recoveries and included in the LGD estimates as negative recovery cash flows.

Loss given default (LGD)

LGD is an estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. The definition of loss to be used for LGD estimates is economic loss. When measuring economic loss, all relevant factors are taken into account, including material discount effects and material direct and indirect costs associated with collecting on the exposure, including realisation of collateral.

Internal ratings (PD), loss estimates (LGD) and default estimates (EAD) are principal elements in determining the risk weighted exposure calculations for both on and off-balance sheet exposures, including undrawn portions of credit facilities, committed and contingent exposures. These ratings also play an essential role in the credit approval, risk management, internal capital allocation and corporate governance functions of the Banking Group.

For IRB asset classes, all risk grades are initially assessed by the relevant Bank approved rating system. A framework exists for further judgement to be applied where appropriate.

For some asset classes, the Bank's LGD ratings have been modified in the Pillar 1 calculation to reflect RBNZ prescribed credit risk estimates.

Methodologies used to calculate credit risk estimates (PD, EAD, LGD) are in accordance with the RBNZ document BS2B and the Bank's Conditions of Registration. For credit risk estimates on some portfolios, the RBNZ has set prescribed estimates it requires the Bank to use when calculating its risk weighted assets and capital against the BS2B approach. These estimates are greater than those calculated by the Bank according to its own methodologies.

The prescribed estimates apply to the following:

1. Exposures classified under the Retail Mortgages asset class:
   (a) an exposure weighted minimum PD of 1.25%; and
   (b) downturn LGDs according to set loan-to-value bands (see disclosure below titled "Retail Mortgages by Loan-To-Valuation Ratio" for details of what these prescribed bands are).
2. Rural banking exposures classified under the Corporate asset class - prescribed downturn LGDs must be used.

The Bank continues to work with the RBNZ in the development of PDs and LGDs based on the Bank's own methodologies and internal data.

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31. CAPITAL ADEQUACY (CONTINUED)

CONTROLS SURROUNDING CREDIT RISK RATING SYSTEMS

The term Rating System covers all of the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

All material aspects of the rating systems and risk estimate processes are governed by the Risk Management Committee of the Banking Group. Risk grades are an integral part of reporting to senior management and executive. Management and staff of credit risk functions, in conjunction with the relevant Retail and Wholesale risk committees, regularly assess the performance of the rating systems, identify any areas for improvement and monitor progress on previously identified development work needed.

The Banking Group's rating systems are governed by a comprehensive framework of controls that operate at the business unit and back-office levels, and through central audit and validation processes. All policies, model designs, model reviews, methodologies, validations, responsibilities, systems and processes supporting the ratings systems are fully documented.

The Banking Group's Retail and Wholesale ratings functions work closely with the Ultimate Parent Bank's risk ratings functions, are independent of operational lending activities and are responsible for the ratings strategies and ongoing management of credit risk models within New Zealand. The annual validation of models used across the Banking Group is a function undertaken by the ANZ Decision Model Validation unit, which is also independent of credit risk operational functions and is responsible for overseeing the design, implementation and performance of all rating models in the Banking Group.

The target approach to modelling for the Banking Group is to deploy the model most suitable for the environment. At present this involves a combined approach to modelling, utilising models developed in New Zealand and ANZ-developed models tested and validated for use in New Zealand as appropriate.

CREDIT RISK EXPOSURES SUBJECT TO THE INTERNAL RATINGS BASED APPROACH

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

	Consolidated					
Unaudited 31/03/2008	Total exposure or principal amount	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure[1] $m	Total capital requirement $m
On-balance sheet exposures						
Corporate	32,552	32,552	40	64	22,209	1,777
Sovereign	737	737	5	1	10	1
Bank	5,035	5,035	69	16	875	70
Retail mortgages	49,111	49,111	23	24	12,677	1,014
Other retail	5,404	5,404	52	51	2,918	233
Total on-balance sheet exposures	92,839	92,839	33	39	38,689	3,095
Off-balance sheet exposures						
Corporate	15,129	14,741	49	59	9,267	741
Sovereign	65	59	5	-	-	-
Bank	437	437	54	39	179	14
Retail mortgages	5,839	6,492	23	35	2,382	191
Other retail	5,553	5,939	61	37	2,334	187
Total off-balance sheet exposures	27,023	27,668	45	48	14,162	1,133
Market related contracts						
Corporate	79,002	1,305	65	48	669	54
Sovereign	5,538	95	5	1	1	-
Bank	524,361	7,799	53	17	1,381	110
Total market related contracts	608,901	9,199	54	21	2,051	164
Total credit risk exposures subject to the internal ratings based approach	728,763	129,706	37	40	54,902	4,392

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

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31. CAPITAL ADEQUACY (CONTINUED)

	Consolidated					
Unaudited 31/03/2008	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure[1] $m	Total capital requirement $m
Corporate						
CCR rating						
0 - 2	0.05%	6,933	62	24	1,747	140
3 - 4	0.34%	19,696	41	44	9,157	733
5	1.02%	12,535	39	76	10,094	808
6	2.25%	7,108	40	97	7,339	587
7 - 8	7.63%	2,104	41	142	3,158	253
Default	100.00%	222	55	276	650	52
Total corporate credit risk exposures		48,598	43	62	32,145	2,573
Sovereign						
CCR rating						
0	0.01%	865	5	1	10	1
1	0.02%	1	5	4	-	-
2	0.06%	25	5	4	1	-
3	n/a	-	-	-	-	-
4 - 8	n/a	-	-	-	-	-
Default	n/a	-	-	-	-	-
Total sovereign credit risk exposures		891	5	1	11	1
Bank						
CCR rating						
0	0.02%	9,995	69	19	1,969	158
1	0.02%	2,983	26	9	269	22
2 - 4	0.17%	246	64	40	104	8
5 - 6	1.89%	33	70	163	57	5
7 - 8	7.80%	14	70	243	36	3
Default	n/a	-	-	-	-	-
Total bank credit risk exposures		13,271	59	17	2,435	196
Retail mortgages						
CCR rating						
0 - 3	0.22%	12,845	21	9	1,233	99
4	0.34%	21,039	22	13	2,954	236
5	0.95%	11,166	23	28	3,338	267
6	2.47%	7,565	25	56	4,524	362
7 - 8	10.84%	2,727	25	103	2,975	238
Default	100.00%	261	28	13	35	3
Total residential mortgage credit risk exposures		55,603	23	26	15,059	1,205
Other retail						
CCR rating						
0 - 2	0.09%	1,175	80	20	244	20
3 - 4	0.26%	4,446	54	23	1,089	87
5	1.10%	2,910	56	59	1,830	146
6	2.10%	2,020	52	68	1,455	116
7 - 8	11.24%	696	52	85	629	50
Default	100.00%	96	51	5	5	-
Total other retail credit risk exposures		11,343	57	44	5,252	419

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

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

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31. CAPITAL ADEQUACY (CONTINUED)

SPECIALISED LENDING SUBJECT TO THE SLOTTING APPROACH

	Consolidated			
Unaudited 31/03/2008	**Exposure amount $m**	**Risk weight %**	**Risk weighted exposure[1] $m**	**Total capital requirement $m**
On-balance sheet exposures[2]				
Strong	2,915	70	2,163	173
Good	2,693	90	2,569	206
Satisfactory	1,643	115	2,003	160
Weak	231	250	612	49
Default	36	-	-	-
Total on-balance sheet exposures subject to the slotting approach	7,518	92	7,347	588

	Exposure amount $m	EAD $m	Average risk weight %	Risk weighted exposure[1] $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	1,412	1,380	92	1,347	108
Market related contracts	3,096	23	103	25	2
Total off-balance sheet exposures subject to the slotting approach	4,508	1,403	92	1,372	110

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

OTHER IRB EXPOSURES

	Consolidated			
Unaudited 31/03/2008	**Exposure amount $m**	**Risk weight %**	**Risk weighted exposure[1] $m**	**Total capital requirement $m**
Cash and gold bullion	215	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	2,171	-	-	-
Other assets	729	100	772	62
Total other IRB credit risk exposures	3,115	23	772	62

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

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

EQUITY EXPOSURES

	Consolidated			
Unaudited 31/03/2008	**Exposure amount $m**	**Risk weight %**	**Risk weighted exposure[1] $m**	**Total capital requirement $m**
All other equity holdings (not deducted from capital)	219	400	929	74

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

1. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.
2. The supervisory categories of specialised lending above are associated with a specific risk-weight. These categories broadly correspond to the following external credit assessments using the Standard & Poor's rating scale: Strong BBB- or better, Good BB+ or BB, Satisfactory BB- or B+ and Weak B to C-.

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31. CAPITAL ADEQUACY (CONTINUED)

CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH

Unaudited 31/03/2008	Consolidated			
	Exposure amount $m	Risk weight %	Risk weighted exposure[1] $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	373	93	368	29
Total on-balance sheet exposures subject to the standardised approach	373	93	368	29

	Exposure amount $m	Average credit conversion factor %	Credit equivalent amount $m	Average risk weight %	Risk weighted exposure[1] $m	Total capital requirement $m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	899	15	135	99	142	11

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

OPERATIONAL RISK

	Implied risk weighted exposure $m	Total operational risk capital requirement $m
Operational risk capital requirement as at 31 March 2008 (Unaudited)		
Advanced Measurement Approach for operational risk	5,593	447

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk includes legal risk but not strategic or reputational risk. Legal risk includes, but is not limited to, exposures to fines, penalties, or punitive damages resulting from regulatory actions, as well as private settlements.

The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk.

The Banking Group has implemented an organisational-wide ('top of house') Loss Distribution Approach (LDA) calculation to determine the initial Operational Risk Capital. The data inputs into the LDA process include:

- Internal Loss Data;
- External Loss Data; and
- Scenario Analysis.

The initial capital number is calculated at the group-wide level and then distributed and adjusted for business environment and internal controls down to the business units (and completion points) using a Risk Drivers and Controls Approach (RDCA) Methodology. The RDCA is a risk and control self assessment system which:

- assesses the level of the Banking Group's exposure to specified drivers of risk;
- assesses the scope and quality of the Banking Group's internal control environment, key operational processes and risk mitigants; and
- directly links these assessments to operational risk capital.

This process consists of sending business units a series of risk-based questions categorised by risk type in a risk and control self assessment questionnaire for completion. The response to the questions along with business unit sizing information allocate the overall capital calculated in the LDA. This process will also reallocate the capital pool (and amount allocated to the business) depending upon improvement or deterioration in risk and control indicators and business growth.

The scorecard process is undertaken half-yearly, with the LDA calculation conducted annually.

The Banking Group does not incorporate any insurance mitigation impact into its capital number. Accordingly, there are no insurance related questions contained within the risk drivers and control assessment (scorecard) methodology.

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

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31. CAPITAL ADEQUACY (CONTINUED)

MARKET RISK

	Implied risk weighted exposure $m	Aggregate capital charge $m
Market risk capital requirement as at 31 March 2008 (Unaudited)		
Interest rate risk	**3,495**	**280**
Foreign currency risk	**23**	**2**
Equity risk	**55**	**4**
	3,573	**286**

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

CREDIT RISK MITIGATION

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

Netting is defined as the set-off of two or more cash flows, assets, or liabilities. The types of netting used by the Banking Group are payments or settlement, close-out, bilateral or multilateral. The Banking Group establishes its netting rights through various means including legally binding set-off agreements, collateral agreements, facility agreements, security agreements and the terms and conditions of trading (including ISDA Master Agreements when considered appropriate). Where documented rights to net have been established a net limit may be used for exposure assessment and monitoring.

Guarantees used for credit risk mitigation may be provided by bank, sovereign, corporate or individual counterparties. Guarantors are separately rated, and their capacity to honour their commitments under the guarantee is also assessed. The obligor is also separately rated on a stand-alone basis, and then the rating of the obligor is adjusted to take into account the strength of the guarantor. The size of the adjustment reflects the Banking Group's assessment of the strength of the guarantor, but is capped at the guarantor's rating so there is no recognition of "double default". Guaranteed exposures are subject to Banking Group policy covering market and credit risk concentrations.

As at 31 March 2008, none of the credit risk exposures subject to the Standardised Approach were covered by eligible financial collateral. The Banking Group is not engaged in any credit derivative activity. Information on the total value of exposures covered by guarantees is not disclosed as the effect of these guarantees on the underlying credit risk exposures is not considered material.

RETAIL MORTGAGES BY LOAN-TO-VALUATION RATIO

The table below sets out retail mortgages as used to calculate the Banking Group's Pillar One capital requirement as at the balance date by the loan-to-valuation ratio ('LVR'). As required by the RBNZ, LVRs are calculated as the current loan balance divided by the Bank's valuation of the security property at origination of the exposure. The Bank's collateral valuation will be a discount of the registered valuer's assessment or that provided by an independent external valuation. The discount factor applied is dependent on the type of property concerned. Where the Bank is unable to calculate the LVR the exposure is placed in the over 90% band to maintain a conservative treatment.

The RBNZ also requires that the Bank applies downturn LGDs expressed in LVR bands for the retail mortgage asset class. The LGD bands are based on a sliding scale where LGDs for exposures exceeding 90% LVR are set at 40%, reducing progressively to an LGD of 20% for LVRs under 60%.

Unaudited 31/03/2008	Exposure amount $m
LVR range	
0% - 59%	**22,090**
60% - 69%	**7,658**
70% - 79%	**9,844**
80% - 89%	**7,902**
Over 90%	**7,456**
Total retail mortgage credit risk exposures subject to the internal ratings based approach	**54,950**

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31. CAPITAL ADEQUACY (CONTINUED)

PILLAR II CAPITAL FOR OTHER MATERIAL RISKS[1]

Unaudited 31/03/2008	Total capital requirement $m
Internal capital allocation for other material risks	134

The internal capital allocation for other material risks has been derived in accordance with the Bank's Conditions of Registration.

The Banking Group actively manages and measures all material risks affecting its operations. These risks go beyond the traditional banking risks of credit, operational and market risks. The measurement and management of any other material risk is covered in the Bank's Economic Capital model which is used within the Bank's ICAAP. Economic capital is defined as the maximum loss in excess of that which is to be expected in the normal course of business, assessed at a given confidence level. Losses in excess of those expected are termed 'unexpected'. Economic capital is unexpected loss measured to a 99.97% confidence level, which is consistent with the Bank's risk appetite of maintaining its AA credit rating.

The Bank's ICAAP incorporates overall capital policies and objectives, capital management policies and plans, allocation of capital to business units and stress testing of both risk and capital positions. The ICAAP policy outlines the core capital management principles that must be maintained to demonstrate that its capital levels: consider all material risks; are consistent with its overall risk appetite and profile, current operating environment and stage in business cycle; and that forward-looking stress testing of capital requirements is performed.

The internal capital allocation for the Banking Group's other material risks as at 31 March 2008 was $134 million, comprising premises and equipment risk and capitalised origination fees risk.

Other material risks outside of the credit, operational and market risks that the Banking Group measures and manages are:

Liquidity and funding risk

Economic capital is not held for liquidity and funding risk. Instead a portfolio of cash, highly liquid and rated securities is held. This is consistent with both the internal 'view' and the regulatory approach. Primarily it is the form in which assets are held which mitigates liquidity and funding risks. Generally holding assets in the form of the Liquidity Portfolio mitigates the requirement to hold additional capital for liquidity and funding related risks.

The size of the Banking Group's Liquidity Portfolio is based on the amount of liquidity required to meet day-to-day operational requirements, potential name crisis, and potential wholesale 'funding stress' requirements.

In addition, the Banking Group monitors the ratio of cover provided by the Liquidity Portfolio to fund both domestic and offshore wholesale debt maturities.

Goodwill risk

Economic capital for goodwill is currently allocated at 100% of the carrying amount of goodwill. This recognises that in a severe deterioration in trading conditions causing unexpected credit, operational and other losses, the goodwill value is likely to be close to zero. However, as goodwill under regulatory capital rules is already deducted from Tier One Capital, the Banking Group has not included it in the internal capital allocation for other material risks.

Software risk

Economic capital is allocated to software projects at 100% of the carrying amount, recognising the highly intangible and non-saleable nature of these assets. However, as software capital under regulatory capital rules is already deducted from Tier One Capital, the Banking Group has not included it in the internal capital allocation for other material risks.

Fixed asset risk

Economic capital allocated to premises and equipment risk covers the risk associated with the ownership or lease of premises and equipment. It is the product of a weighted capital allocation factor, updated quarterly, and the total of fixed assets and net present value of leases.

The risk generated by the ownership or lease of premises and equipment depends on the type of underlying asset. Fixed assets are therefore categorised into four distinct categories with a capital scalar representing the amount of capital required to support the type of asset. The benchmark factors were drawn from First Manhattan Consulting Group (FMCG) experience with capital levels in the property industry.

While the economic capital allocated to premises and equipment risk has been included in the internal capital allocation for other material risks, under regulatory capital rules premises and equipment are risk weighted at 100%, so there is already an 8% allocation against these assets in the Banking Group's regulatory capital calculations.

The economic capital allocated to fixed asset risk has been included in the internal capital allocation for other material risks for the purposes of this disclosure.

Capitalised origination fees

Economic capital is allocated at 20% of the capitalised origination fees asset (costs relating to the acquisition of interest earnings assets). Capitalised origination fees largely include brokerage and debt-raising expenses. The value of the capitalised expenses arises from the expected cash flows on the underlying loans, with the principal risk being that the loans are repaid prior to the end of the amortisation period of the capitalised expenses.

1. The internal capital allocation for other material risks for the 31 March 2007 and 30 September 2007 comparative periods has not been provided as the information is not readily available. The Bank was only accredited to adopt the internal models based approach under Basel II on 10 December 2007.

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CAPITAL ADEQUACY OF ULTIMATE PARENT BANK

31. CAPITAL ADEQUACY (CONTINUED)

	Consolidated		
	Unaudited Basel II 31/03/2008	Unaudited Basel I 31/03/2007	Audited Basel I 30/09/2007
Tier One Capital	**6.84%**	6.71%	6.70%
Total Capital	**10.09%**	10.26%	10.08%
Australian Prudential Regulatory Authority minimum ratios:			
Tier One Capital	**4.00%**	4.00%	4.00%
Total Capital	**8.00%**	8.00%	8.00%

For calculation of minimum capital requirements under Pillar I of the Basel II Accord, the Ultimate Parent Bank has been accredited by APRA to use the Advanced Internal Ratings Based (AIRB) methodology for calculation of credit risk weighted assets and the Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent. The Basel II Accord came into effect from 1 January 2008.

Under prudential regulations, the Ultimate Parent Bank is required to hold a prudential capital ratio (PCR) as determined by APRA. Subject to APRA's discretion, the minimum PCR is 8 per cent of its total risk weighted assets. Half of this capital must be held in the form of Tier One Capital. Prior to 1 January 2008, the minimum capital ratio, subject to APRA's discretion, was also 8 per cent of its total risk weighted assets calculated under the Basel I methodology and at least half of this capital was held in the form of Tier One Capital.

The Ultimate Parent Bank met the minimum capital adequacy requirements set by APRA as at 31 March 2008 and for comparative prior periods.

The Ultimate Parent Bank is required to publicly disclose Pillar III financial information as at 30 September 2008. In the Ultimate Parent Bank's Consolidated Financial Report, Dividend Announcement and Appendix 4D for the Half Year to 31 March 2008, capital adequacy ratios calculated under the Basel II methodology were disclosed. This report can be accessed at the following website address: *www.anz.com*.

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32. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

Financial instruments are fundamental to the 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 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 Banking Group's balance sheet. These risks and the Banking Group's policies and objectives for managing such risks are outlined below. The Banking Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Banking Group.

CREDIT RISK

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations. The 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 Banking Group has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of the Banking Group are set by the 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. The 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 the independence of the credit chain and is supported by comprehensive risk analysis, risk tools, monitoring processes and policies.

CREDIT RISK MANAGEMENT

The credit risk management framework is in place across the Banking Group with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by the 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.

An independent Risk Management function, at Banking Group, Divisional and Business Unit levels, is staffed by risk specialists. In regards to credit risk management, the objective is for Risk Management to provide robust credit policies, to make independent credit decisions, and to provide strong support to front line staff in the application of sound credit practices. 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 framework is top down, being defined firstly by the Banking Group's 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 Banking Group's business units. 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. Credit risk policy and management is executed through the Chief Risk Officer who has various dedicated areas within the Risk Management division. Wholesale Risk services the Banking Group's corporate, investment banking and rural lending activities through dedicated teams. Retail Risk services the Banking Group's small business and consumer customers. The Portfolio Reporting team within Risk Management provides an independent overview of credit risk across the Bank at a portfolio level. The Banking Group allows sole discretion for transaction approvals at the Business Unit level in both the retail and wholesale lending sectors, with larger transactions approved by Retail Risk and Wholesale Risk.

The credit risk review function within Internal Audit also provides a further independent check mechanism to ensure the quality of credit decisions. This includes providing independent periodic checks on asset quality and compliance with the agreed standards and policies across the Banking Group.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Banking Group incurs country risk and have a direct bearing on the 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 Banking Group's capital pricing model for cross border flows.

The recording of country limits provides the 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 and finance. Country limits are managed centrally by the Ultimate Parent 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.

The Ultimate Parent Bank has a dedicated stress testing team within Risk Management that models and reports periodically to management and the Board Risk Committee on a range of scenarios and stress tests.

Portfolio analysis and reporting

Global credit portfolios are analysed by the Risk Committees and Senior Business Executives. A central risk reporting department produces credit portfolio analysis which is distributed to senior Risk and Business Executives through monthly, half yearly and ad hoc reporting, or as set agenda reports to the various Risk Committees. This area provides an independent mechanism to ensure that significant and emerging credit risks are proactively identified and communicated to Group, Risk and Business Executives, including the Board Risk Committee.

Collateral management

Banking Group credit principles specify to only lend what the counterparty has the capacity and ability to repay and the Banking Group sets 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. Banking Group policy sets 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 mortgage in possession while the Banking Group is actively seeking to realise it. Therefore the Banking Group does not usually hold any real estate or other assets acquired through the enforcement of security.

The Banking Group uses 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 the Banking Group's 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.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

The Banking Group monitors its 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 the Banking Group's top Corporate exposures. The Credit and Trading 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.

Concentrations of credit risk analysis:

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

	Consolidated					
	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	Total $m
Unaudited 31/03/2008						
Industry						
Personal lending	-	-	-	54,262	-	54,262
Property services	-	-	-	9,126	-	9,126
Agriculture, forestry, fishing	310	-	19	15,431	-	15,760
Manufacturing	286	104	126	2,673	-	3,189
Finance and insurance	4,057	1,896	4,423	1,531	-	11,907
Retail trade	410	-	46	1,632	-	2,088
Wholesale trade	36	-	16	1,506	-	1,558
Business services	-	-	10	931	-	941
Transport and storage	44	14	37	1,410	-	1,505
Construction	-	-	1	977	-	978
Government and local authority[1]	2,513	142	50	1,081	-	3,786
Other[2]	97	89	137	2,804	891	4,018
	7,753	2,245	4,865	93,364	891	109,118
Individual provision for credit impairment	-	-	-	(51)	-	(51)
Collective provision for credit impairment	-	-	-	(471)	-	(471)
	-	-	-	(522)	-	(522)
Fair value hedge adjustment	-	-	-	(263)	-	(263)
Total financial assets	7,753	2,245	4,865	92,579	891	108,333
Geography						
New Zealand	6,881	1,310	1,141	90,908	891	101,131
Overseas	872	935	3,724	1,671	-	7,202
Total financial assets	7,753	2,245	4,865	92,579	891	108,333

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

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated					
	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	Total $m
Unaudited 31/03/2007						
Industry						
Personal lending	-	-	-	47,314	-	47,314
Property services	-	-	-	7,370	-	7,370
Agriculture, forestry, fishing	131	-	14	13,129	-	13,274
Manufacturing	296	27	144	2,521	-	2,988
Finance and insurance	3,355	1,537	2,632	3,254	-	10,778
Retail trade	480	8	54	1,361	-	1,903
Wholesale trade	26	-	8	1,091	-	1,125
Business services	-	-	9	1,213	-	1,222
Transport and storage	93	70	24	1,359	-	1,546
Construction	-	-	-	895	-	895
Government and local authority[1]	4,311	212	35	1,199	-	5,757
Other[2]	116	108	121	2,373	714	3,432
	8,808	1,962	3,041	83,079	714	97,604
Individual provision for credit impairment	-	-	-	(47)	-	(47)
Collective provision for credit impairment	-	-	-	(410)	-	(410)
	-	-	-	(457)	-	(457)
Fair value hedge adjustment	-	-	-	(364)	-	(364)
Total financial assets	8,808	1,962	3,041	82,258	714	96,783
Geography						
New Zealand	7,748	1,962	880	79,116	714	90,420
Overseas	1,060	-	2,161	3,142	-	6,363
Total financial assets	8,808	1,962	3,041	82,258	714	96,783
Audited 30/09/2007						
Industry						
Personal lending	-	-	-	51,819	-	51,819
Property services	-	-	-	7,432	-	7,432
Agriculture, forestry, fishing	201	-	19	14,344	-	14,564
Manufacturing	281	4	139	2,809	-	3,233
Finance and insurance	4,115	1,577	4,199	2,560	-	12,451
Retail trade	441	-	52	1,556	-	2,049
Wholesale trade	16	-	8	1,218	-	1,242
Business services	-	-	10	1,141	-	1,151
Transport and storage	69	28	26	1,233	-	1,356
Construction	-	-	-	812	-	812
Government and local authority[1]	3,082	152	48	1,334	-	4,616
Other[2]	165	164	210	2,528	970	4,037
	8,370	1,925	4,711	88,786	970	104,762
Individual provision for credit impairment	-	-	-	(44)	-	(44)
Collective provision for credit impairment	-	-	-	(422)	-	(422)
	-	-	-	(466)	-	(466)
Fair value hedge adjustment	-	-	-	(442)	-	(442)
Total financial assets	8,370	1,925	4,711	87,878	970	103,854
Geography						
New Zealand	7,108	1,329	1,367	84,701	970	95,475
Overseas	1,262	596	3,344	3,177	-	8,379
Total financial assets	8,370	1,925	4,711	87,878	970	103,854

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

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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 subsidiary companies $m	Other financial assets $m	Total $m
Unaudited 31/03/2008							
Industry							
Personal lending	-	-	-	53,763	-	-	53,763
Property services	-	-	-	9,123	-	-	9,123
Agriculture, forestry, fishing	310	-	19	15,138	-	-	15,467
Manufacturing	286	104	126	2,486	-	-	3,002
Finance and insurance	3,691	1,886	4,423	1,368	1,506	-	12,874
Retail trade	410	-	46	1,480	-	-	1,936
Wholesale trade	36	-	16	1,466	-	-	1,518
Business services	-	-	10	820	-	-	830
Transport and storage	44	14	37	1,024	-	-	1,119
Construction	-	-	1	751	-	-	752
Government and local authority[1]	2,444	142	50	991	-	-	3,627
Other[2]	97	89	137	2,503	-	808	3,634
	7,318	2,235	4,865	90,913	1,506	808	107,645
Individual provision for credit impairment	-	-	-	(41)	-	-	(41)
Collective provision for credit impairment	-	-	-	(438)	-	-	(438)
	-	-	-	(479)	-	-	(479)
Fair value hedge adjustment	-	-	-	(263)	-	-	(263)
Total financial assets	7,318	2,235	4,865	90,171	1,506	808	106,903
Geography							
New Zealand	6,708	1,300	1,049	88,500	1,506	808	99,871
Overseas	610	935	3,816	1,671	-	-	7,032
Total financial assets	7,318	2,235	4,865	90,171	1,506	808	106,903
Unaudited 31/03/2007							
Industry							
Personal lending	-	-	-	46,815	-	-	46,815
Property services	-	-	-	7,366	-	-	7,366
Agriculture, forestry, fishing	131	-	14	12,890	-	-	13,035
Manufacturing	296	27	144	2,161	-	-	2,628
Finance and insurance	2,867	1,527	2,657	1,711	1,543	-	10,305
Retail trade	480	8	54	1,318	-	-	1,860
Wholesale trade	26	-	8	1,060	-	-	1,094
Business services	-	-	9	1,114	-	-	1,123
Transport and storage	93	70	24	997	-	-	1,184
Construction	-	-	-	731	-	-	731
Government and local authority[1]	4,311	212	35	1,108	-	-	5,666
Other[2]	116	107	121	2,076	-	606	3,026
	8,320	1,951	3,066	79,347	1,543	606	94,833
Individual provision for credit impairment	-	-	-	(38)	-	-	(38)
Collective provision for credit impairment	-	-	-	(375)	-	-	(375)
	-	-	-	(413)	-	-	(413)
Fair value hedge adjustment	-	-	-	(364)	-	-	(364)
Total financial assets	8,320	1,951	3,066	78,570	1,543	606	94,056
Geography							
New Zealand	7,522	1,951	905	76,956	1,543	606	89,483
Overseas	798	-	2,161	1,614	-	-	4,573
Total financial assets	8,320	1,951	3,066	78,570	1,543	606	94,056

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

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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 subsidiary companies $m	Other financial assets $m	Total $m
Audited 30/09/2007							
Industry							
Personal lending	-	-	-	51,325	-	-	51,325
Property services	-	-	-	7,427	-	-	7,427
Agriculture, forestry, fishing	201	-	19	14,069	-	-	14,289
Manufacturing	281	4	139	2,469	-	-	2,893
Finance and insurance	3,653	1,567	4,193	1,008	1,585	-	12,006
Retail trade	441	-	52	1,422	-	-	1,915
Wholesale trade	16	-	8	1,184	-	-	1,208
Business services	-	-	10	1,037	-	-	1,047
Transport and storage	69	28	26	871	-	-	994
Construction	-	-	-	628	-	-	628
Government and local authority[1]	3,082	152	48	1,244	-	-	4,526
Other[2]	165	164	210	2,228	-	852	3,619
	7,908	1,915	4,705	84,912	1,585	852	101,877
Individual provision for credit impairment	-	-	-	(34)	-	-	(34)
Collective provision for credit impairment	-	-	-	(392)	-	-	(392)
	-	-	-	(426)	-	-	(426)
Fair value hedge adjustment	-	-	-	(442)	-	-	(442)
Total financial assets	7,908	1,915	4,705	84,044	1,585	852	101,009
Geography							
New Zealand	6,727	1,319	1,361	80,786	1,585	852	92,630
Overseas	1,181	596	3,344	3,258	-	-	8,379
Total financial assets	7,908	1,915	4,705	84,044	1,585	852	101,009

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

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

MAXIMUM EXPOSURE TO CREDIT RISK

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

The following table presents the maximum exposure to credit risk of on-balance sheet financial instruments before taking account of any collateral held or other credit enhancements and after deductions such as provision for credit impairment. The exposure is classified into summarised Basel II asset classes, with Corporate exposures including all non-Retail mortgages and Other retail exposures.

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total maximum exposure to credit risk $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total maximum exposure to credit risk $m
Unaudited 31/03/2008								
On-balance sheet positions								
Liquid assets	**-**	**-**	**3,863**	**3,863**	**-**	**-**	**3,863**	**3,863**
Due from other financial institutions	**-**	**-**	**3,890**	**3,890**	**-**	**-**	**3,455**	**3,455**
Trading securities	**-**	**-**	**2,149**	**2,149**	**-**	**-**	**2,149**	**2,149**
Derivative financial instruments	**-**	**-**	**4,865**	**4,865**	**-**	**-**	**4,865**	**4,865**
Available-for-sale assets	**-**	**-**	**96**	**96**	**-**	**-**	**86**	**86**
Net loans and advances	**48,784**	**5,249**	**38,546**	**92,579**	**48,784**	**4,382**	**37,005**	**90,171**
Due from subsidiary companies	**-**	**-**	**-**	**-**	**-**	**-**	**1,506**	**1,506**
Other financial assets	**-**	**-**	**891**	**891**	**-**	**-**	**808**	**808**
Total financial assets	**48,784**	**5,249**	**54,300**	**108,333**	**48,784**	**4,382**	**53,737**	**106,903**
Unaudited 31/03/2007								
On-balance sheet positions								
Liquid assets	-	-	5,741	5,741	-	-	5,740	5,740
Due from other financial institutions	-	-	3,067	3,067	-	-	2,580	2,580
Trading securities	-	-	1,917	1,917	-	-	1,916	1,916
Derivative financial instruments	-	-	3,041	3,041	-	-	3,066	3,066
Available-for-sale assets	-	-	45	45	-	-	35	35
Net loans and advances	42,725	4,810	34,723	82,258	42,725	4,020	31,825	78,570
Due from subsidiary companies	-	-	-	-	-	-	1,543	1,543
Other financial assets	-	-	714	714	-	-	606	606
Total financial assets	42,725	4,810	49,248	96,783	42,725	4,020	47,311	94,056
Audited 30/09/2007								
On-balance sheet positions								
Liquid assets	-	-	4,807	4,807	-	-	4,807	4,807
Due from other financial institutions	-	-	3,563	3,563	-	-	3,101	3,101
Trading securities	-	-	1,877	1,877	-	-	1,877	1,877
Derivative financial instruments	-	-	4,711	4,711	-	-	4,705	4,705
Available-for-sale assets	-	-	48	48	-	-	38	38
Net loans and advances	45,944	4,987	36,947	87,878	45,944	4,157	33,943	84,044
Due from subsidiary companies	-	-	-	-	-	-	1,585	1,585
Other financial assets	-	-	970	970	-	-	852	852
Total financial assets	45,944	4,987	52,923	103,854	45,944	4,157	50,908	101,009

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT QUALITY

A core component of the 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.

The Banking Group's 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 provisioning of financial assets

The Banking Group's policy relating to the recognition and measurement of impaired assets conforms with the RBNZ's guidelines.

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, and/or where a material credit obligation is 90 days past due but not well secured, or is a portfolio managed facility that can be held for up to 180 days past due, or where concessional terms have been provided due to the financial difficulties of the customer.

In the event where the value of collateral is sufficient to repay both the principal debt and all potential interest and there is no concern of the creditworthiness of the counterparty in question, the exposure is then classified as past due but not impaired.

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.

Credit exposures, including loans and advances and off-balance sheet items, such as commitments and guarantees, are reviewed at least at each reporting date for impairment. 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 a loss event or events has (or have) had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated. When the Banking Group recognises an impairment loss in an individual asset or portfolio of assets, the Banking Group is recognising that future economic benefits (previously assessed as being available to the entity) are no longer probable.

The Banking Group's methodology for determining the total provision for loan losses establishes both an individual component for assets that are individually significant (or on a portfolio basis for small value loans) and then a collective component for those exposures not individually known to be impaired. The individual provision represents the results of analysis of individual loans within the Banking Group's portfolio. The Banking Group reviews its loan portfolios and monitors adherence to terms, conditions and lending covenants. The reviews undertaken employ a variety of statistical measures and experienced judgement to determine the continuing collectability of credit facilities. When objective evidence arises as to the collectability of a credit facility, the exposure is classified and reported as individually impaired and an individual provision for credit impairment is allocated against it.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposures that are assessed collectively are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not yet identified. The collective provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. Historical loss experience is determined using loan and portfolio risk gradings, associated default and loss expectancy rates and an assessment of the emergence period. The historical loss experience may be refined based on current observed default data and through various scenario adjustments.

The collective provision is also reviewed to ensure it is adequate for the term of the portfolio as a whole.

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, prior to deducting the fair value hedge adjustment and provision for credit impairment, by summarised Basel II asset class into exposures neither past due nor impaired, past due and impaired.

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2008								
Neither past due nor impaired	**48,654**	**5,271**	**38,506**	**92,431**	**48,654**	**4,418**	**36,967**	**90,039**
Past due but not impaired (30 to 89 days)	**321**	**75**	**152**	**548**	**321**	**59**	**143**	**523**
Past due but not impaired (over 90 days)	**122**	**37**	**67**	**226**	**122**	**32**	**62**	**216**
Impaired	**14**	**21**	**124**	**159**	**14**	**8**	**113**	**135**
	49,111	**5,404**	**38,849**	**93,364**	**49,111**	**4,517**	**37,285**	**90,913**
Unaudited 31/03/2007								
Neither past due nor impaired	42,888	4,869	34,748	82,505	42,888	4,081	31,855	78,824
Past due but not impaired (30 to 89 days)	198	53	85	336	198	40	83	321
Past due but not impaired (over 90 days)	54	19	46	119	54	14	38	106
Impaired	6	17	96	119	6	10	80	96
	43,146	4,958	34,975	83,079	43,146	4,145	32,056	79,347
Audited 30/09/2007								
Neither past due nor impaired	46,214	5,042	37,045	88,301	46,214	4,214	34,040	84,468
Past due but not impaired (30 to 89 days)	170	49	53	268	170	41	45	256
Past due but not impaired (over 90 days)	57	19	26	102	57	17	21	95
Impaired	7	20	88	115	7	7	79	93
	46,448	5,130	37,212	88,786	46,448	4,279	34,185	84,912

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

The credit quality of financial assets is assessed by the 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 comprises CCR 0+ to CCR 4- which broadly corresponds to ratings "Aaa" to "Ba1" and "AAA" to "BBB+" 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 comprises CCR 5+ to CCR 6- which broadly corresponds to ratings "Ba2" to "Ba3" and "BB" to "BB-" of Moody's Investors Service and Standard & Poor's respectively.

Weak risk rating 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 comprises CCR 7+ to 8 which broadly corresponds to ratings "B1" to "Caa" and "B+" to "CCC" of Moody's Investors Service and Standard & Poor's respectively.

The rating bands presented below differ from the Note 31 Capital Adequacy credit risk exposures subject to the internal ratings based approach disclosures as RBNZ credit risk estimates are not used for these internal ratings. Movements in the rating categories 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.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2008								
Strong risk rating	**44,040**	**1,830**	**17,134**	**63,004**	**44,040**	**1,702**	**16,795**	**62,537**
Satisfactory risk rating	**3,834**	**2,940**	**19,516**	**26,290**	**3,834**	**2,240**	**18,426**	**24,500**
Weak risk rating but not past due or impaired	**780**	**501**	**1,856**	**3,137**	**780**	**476**	**1,746**	**3,002**
	48,654	**5,271**	**38,506**	**92,431**	**48,654**	**4,418**	**36,967**	**90,039**
Unaudited 31/03/2007								
Strong risk rating	38,597	1,582	15,297	55,476	38,597	1,507	13,468	53,572
Satisfactory risk rating	3,625	2,805	18,331	24,761	3,625	2,144	17,364	23,133
Weak risk rating but not past due or impaired	666	482	1,120	2,268	666	430	1,023	2,119
	42,888	4,869	34,748	82,505	42,888	4,081	31,855	78,824
Audited 30/09/2007								
Strong risk rating	42,064	1,682	18,935	62,681	42,064	1,618	17,076	60,758
Satisfactory risk rating	3,520	2,894	16,029	22,443	3,520	2,177	14,983	20,680
Weak risk rating but not past due or impaired	630	466	2,081	3,177	630	419	1,981	3,030
	46,214	5,042	37,045	88,301	46,214	4,214	34,040	84,468

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

Ageing analysis of past due loans between 30 and 90 days is used by the Banking Group to measure and manage the retail portfolio's credit quality. The remaining portfolios are individually managed and therefore, accounts are managed on a daily basis. As such, the data for financial assets past due less than 30 days has not been presented as it does not correspond with the Banking Group's risk management practices. The following table presents an ageing analysis of past due loans that are not impaired:

	Consolidated				Parent			
	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages $m	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2008								
30 to 59 days	**224**	**51**	**113**	**388**	**224**	**39**	**105**	**368**
60 to 89 days	**97**	**24**	**39**	**160**	**97**	**20**	**38**	**155**
90 days or over	**122**	**37**	**67**	**226**	**122**	**32**	**62**	**216**
	443	**112**	**219**	**774**	**443**	**91**	**205**	**739**
Unaudited 31/03/2007								
30 to 59 days	163	38	80	281	163	28	78	269
60 to 89 days	35	15	5	55	35	12	5	52
90 days or over	54	19	46	119	54	14	38	106
	252	72	131	455	252	54	121	427
Audited 30/09/2007								
30 to 59 days	138	35	34	207	138	29	28	195
60 to 89 days	32	14	19	65	32	12	17	61
90 days or over	57	19	26	102	57	17	21	95
	227	68	79	374	227	58	66	351

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Past due but not impaired (over 90 days)

This classification applies where contractual payments are past due greater than 90 days, or where the facility remains outside of contractual arrangements for greater than 90 consecutive days, but the Banking Group believes that impairment is not appropriate on the basis of the level of security/collateral available, or the facility is portfolio managed.

A facility, subject to a regular repayment schedule, is classified as 90 days past due when at least 90 calendar days have elapsed since the due date of a contractual payment has not been met in full and the facility is well secured.

Facilities that do not have a regular repayment schedule are considered 90 days past due when the facility has remained continuously outside of contracted arrangements for 90 or more consecutive days and the facility is well secured.

Well secured is when the fair value of associated security is sufficient to ensure that the Banking Group will recover the entire amount owing over the life of the facility and there is reasonable assurance that collective efforts will result in payment of the amounts due in a timely manner.

The Banking Group's residential mortgages and corporate exposures are generally well secured. Collateral is generally represented by residential property and business assets respectively.

Portfolio managed assets are 90 days past due but not impaired include financial assets which are homogenous with similar characteristics and are assessed, approved, and controlled on a portfolio basis within a centralised environment (for example Credit Cards, Personal Loans, Home Loans). When the financial assets are managed on a portfolio basis, the assets can be held on a non-impaired basis for up to 180 days.

Credit quality of financial assets that are individually impaired

The Banking Group regularly reviews its portfolio 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:

	Consolidated				Parent			
	Retail mortgages	Other retail exposures $m	Corporate exposures $m	Total $m	Retail mortgages	Other retail exposures $m	Corporate exposures $m	Total $m
Unaudited 31/03/2008								
Impaired financial assets	**14**	**21**	**124**	**159**	**14**	**8**	**113**	**135**
Undrawn facilities with impaired customers	**-**	**-**	**18**	**18**	**-**	**-**	**18**	**18**
Individual provision balance	**2**	**10**	**39**	**51**	**2**	**4**	**35**	**41**
Net impaired financial assets	**12**	**11**	**103**	**126**	**12**	**4**	**96**	**112**
Collective provision balance	**62**	**145**	**264**	**471**	**62**	**131**	**245**	**438**
Unaudited 31/03/2007								
Impaired financial assets	6	17	96	119	6	10	80	96
Undrawn facilities with impaired customers	-	-	5	5	-	-	5	5
Individual provision balance	3	14	30	47	3	7	28	38
Net impaired financial assets	3	3	71	77	3	3	57	63
Collective provision balance	54	134	222	410	54	118	203	375
Audited 30/09/2007								
Impaired financial assets	7	20	88	115	7	7	79	93
Undrawn facilities with impaired customers	-	-	6	6	-	-	6	6
Individual provision balance	4	13	27	44	4	5	25	34
Net impaired financial assets	3	7	67	77	3	2	60	65
Collective provision balance	58	130	234	422	58	117	217	392

Security held by the Banking Group in respect of individually impaired financial assets in the analysis above has an estimated fair value of $108 million (31/03/2007 $72 million; 30/09/2007 $71 million). In addition, security held in respect of impaired off-balance sheet facilities amounts to $18 million (31/03/2007 $5 million; 30/09/2007 $6 million).

Security held by the Bank in respect of individually impaired financial assets in the analysis above has an estimated fair value of $94 million (31/03/2007 $54 million; 30/09/2007 $54 million) In addition, security held in respect of impaired off-balance sheet facilities amounts to $18 million (31/03/2007 $5 million; 30/09/2007 $6 million).

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Renegotiated facilities

The Banking Group distinguishes between facilities renegotiated on a commercial basis, on terms similar to those offered to new clients with similar risk, and those renegotiated on non-commercial terms as a result of a client's inability to meet original contractual obligations.

In the course of renegotiating facilities due to financial difficulty, the Banking Group may consider modifying its terms to include concessions such as a reduction in the principal amount, a deferral of repayments, and/or an extension of the maturity date materially beyond those typically offered to new facilities with similar risk.

Renegotiated facilities are classified as productive and must demonstrate sound prospects of being able to adhere to the modified contractual terms. Where doubt exists as to the capacity to sustain the modified terms, the facilities remain impaired and an appropriate level of individual provision is held.

Renegotiated loans that would otherwise be past due or impaired held by the Banking Group are $nil (31/03/2007 $nil; 30/09/2007 $nil), and held by the Bank are $nil (31/03/2007 $nil; 30/09/2007 $nil).

MARKET RISK

Market risk is the risk to the 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 management and control responsibilities

The Banking Group has a detailed market risk management and control framework, to support trading and non-trading activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and non-trading books. This approach, along with related analysis, identifies the range of possible outcomes that can be expected over a given period of time, and establishes the relative likelihood of those outcomes.

These risks are monitored daily against a comprehensive limit framework that includes VaR, aggregate market position and sensitivity, product and geographic thresholds. To facilitate the management, control, measurements and reporting of market risk, the 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 Banking Group acts as principal with clients or with the market. 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 that also exposes the 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 Board of Directors through the Risk Committee has responsibility for oversight of market risk within the Banking Group. Routine management, overall strategies and policies, and control of market risk exposures at Banking Group level is the responsibility of the Chief Risk Officer, who works closely with the Markets business unit.

The Traded Market risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a Value at Risk (VaR) framework and detailed control limits. In all trading areas the 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 Banking Group has an Asset and Liability Committee ('ALCO'), comprising executive management to provide monthly oversight of Market Risk.

The Chief Risk Officer is responsible for daily review and oversight of Traded market risk reports. The Chief Risk Officer has the authority for instructing the business to close exposures and withdraw limits where appropriate.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Value at Risk (VaR) measure

A key measure of market risk is Value at Risk. VaR is a statistical estimate of the likely daily loss and is based on historical market movements.

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 Banking Group has adopted the historical simulation methodology as its standard for the calculation of VaR. This methodology is based on assessing the change in value of portfolios each day against historical prices. The 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 Banking Group could experience from an extreme market event. As a result of this limitation, the 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.

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 Banking Group.

	Consolidated Value at risk at 97.5% confidence				Consolidated 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 31/03/2008								
Foreign exchange	**0.3**	**0.8**	**0.2**	**0.3**	**0.3**	**1.0**	**0.2**	**0.4**
Interest rate	**1.2**	**1.8**	**0.5**	**0.8**	**1.4**	**2.3**	**0.6**	**1.1**
Credit spread	**0.1**	**0.2**	**0.1**	**0.1**	**0.2**	**0.3**	**0.2**	**0.2**
Diversification benefit	**(0.4)**	**n/a**	**n/a**	**(0.4)**	**(0.4)**	**n/a**	**n/a**	**(0.6)**
Total VaR	**1.2**	**1.7**	**0.3**	**0.8**	**1.5**	**2.2**	**0.5**	**1.1**
Unaudited 31/03/2007								
Foreign exchange	0.2	1.0	0.1	0.4	0.3	1.2	0.1	0.5
Interest rate	1.0	1.2	0.6	0.8	1.3	1.9	0.8	1.2
Credit spread	0.2	0.2	0.1	0.1	0.2	0.3	0.1	0.2
Diversification benefit	(0.5)	n/a	n/a	(0.4)	(0.7)	n/a	n/a	(0.6)
Total VaR	0.9	1.6	0.5	0.9	1.1	2.1	0.7	1.3
Audited 30/09/2007								
Foreign exchange	0.2	1.1	0.1	0.4	0.3	1.3	0.1	0.5
Interest rate	0.7	1.5	0.5	0.9	0.8	2.3	0.7	1.3
Credit spread	0.2	0.2	0.1	0.1	0.3	0.4	0.1	0.2
Diversification benefit	(0.1)	n/a	n/a	(0.4)	(0.1)	n/a	n/a	(0.5)
Total VaR	1.0	2.0	0.5	1.0	1.3	3.1	0.7	1.5

VaR is calculated separately for Foreign Exchange/Commodities and for Interest Rate/Debt Markets businesses as well as for the Banking Group. The diversification benefit reflects the historical correlation between Foreign Exchange, Commodity, Interest Rate and Debt Markets.

To supplement the VaR methodology, the Banking Group applies a wide range of stress tests, both on individual portfolios and at a Banking Group level. The 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 Banking Group.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Banking Group's capital. Liquidity risk is dealt with in the next section.

Interest rate risk

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Banking Group's future net interest income. 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. 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.

a) VaR non-traded interest rate risk

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

	Consolidated			
	As at $m	High for period $m	Low for period $m	Average for period $m
Unaudited 31/03/2008				
Value at risk at 97.5% confidence	**11.6**	**11.6**	**10.4**	**11.1**
Unaudited 31/03/2007				
Value at risk at 97.5% confidence	7.5	8.6	7.3	7.9
Audited 30/09/2007				
Value at risk at 97.5% confidence	10.8	10.8	7.3	8.8

To supplement the VaR methodology, the Banking Group applies a wide range of stress tests, both on individual portfolios and at the Banking Group level. The 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 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.

	Consolidated		
	Unaudited 31/03/2008	Unaudited 31/03/2007	Audited 30/09/2007
Impact of 1% Rate Shock			
As at	**1.4%**	2.5%	1.4%
Maximum exposure	**1.8%**	2.5%	2.8%
Minimum exposure	**1.1%**	0.9%	0.9%
Average exposure (in absolute terms)	**1.4%**	1.9%	1.9%

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. The Banking Group quantifies the potential variation in future net interest income as a result of these repricing mismatches 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 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. For example, when wholesale market rates are anticipating an official rate increase the Banking Group does not reprice certain customer business until the first repricing date after the official rate rise.

The majority of the Banking Group's non-traded interest exposure exists in New Zealand. 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 Banking Group to quantify the interest rate risks associated with the balance sheet and to formulate strategies to manage current and future risk profiles.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity gap

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

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 Banking Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

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 Banking Group's loan business is conducted domestically in New Zealand and is priced on a fixed rate basis. 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 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 Banking Group policy.

The following tables represent the interest rate sensitivity of the 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.

	Consolidated						
	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
Unaudited 31/03/2008							
Assets							
Liquid assets	3,863	3,648	-	-	-	-	215
Due from other financial institutions	3,890	3,067	570	-	147	-	106
Trading securities	2,149	893	149	8	847	252	-
Derivative financial instruments	4,865	-	-	-	-	-	4,865
Available-for-sale assets	96	-	-	30	11	-	55
Net loans and advances	92,579	38,881	6,756	10,579	36,699	27	(363)
Other financial assets	891	-	-	-	-	-	891
Total financial assets	108,333	46,489	7,475	10,617	37,704	279	5,769
Non-financial assets	4,181	-	-	-	-	-	4,181
Total assets	112,514	46,489	7,475	10,617	37,704	279	9,950
Liabilities							
Due to other financial institutions	2,384	1,285	239	280	382	21	177
Deposits and other borrowings	74,080	52,490	8,405	7,734	1,146	-	4,305
Derivative financial instruments	4,472	-	-	-	-	-	4,472
Payables and other financial liabilities	1,361	188	15	-	84	-	1,074
Bonds and notes	16,586	15,453	-	394	739	-	-
Due to parent company	1,758	1,758	-	-	-	-	-
Loan capital	2,053	215	893	-	945	-	-
Total financial liabilities	102,694	71,389	9,552	8,408	3,296	21	10,028
Non-financial liabilities	439	-	-	-	-	-	439
Equity	9,381	-	-	-	-	-	9,381
Total liabilities and equity	112,514	71,389	9,552	8,408	3,296	21	19,848
On-balance sheet interest sensitivity gap	-	(24,900)	(2,077)	2,209	34,408	258	(9,898)
Hedging instruments	-	27,680	6,589	(6,501)	(28,382)	614	-
Interest sensitivity gap - net	-	2,780	4,512	(4,292)	6,026	872	(9,898)
Interest sensitivity gap - cumulative	-	2,780	7,292	3,000	9,026	9,898	-

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated						
	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
Unaudited 31/03/2007							
Assets							
Liquid assets	5,741	5,496	-	-	-	-	245
Due from other financial institutions	3,067	2,567	-	-	200	-	300
Trading securities	1,917	1,591	79	3	43	201	-
Derivative financial instruments	3,041	-	-	-	-	-	3,041
Available-for-sale assets	45	32	-	-	13	-	-
Net loans and advances	82,258	32,963	4,983	6,241	38,280	129	(338)
Other financial assets	714	-	-	-	-	-	714
Total financial assets	96,783	42,649	5,062	6,244	38,536	330	3,962
Non-financial assets	4,175	-	-	-	-	-	4,175
Total assets	100,958	42,649	5,062	6,244	38,536	330	8,137
Liabilities							
Due to other financial institutions	4,178	2,535	175	641	48	429	350
Deposits and other borrowings	64,758	43,611	7,423	6,142	3,424	-	4,158
Derivative financial instruments	3,168	-	-	-	-	-	3,168
Payables and other financial liabilities	1,190	261	11	-	-	60	858
Bonds and notes	13,340	11,340	350	150	1,500	-	-
Due to parent company	2,764	2,764	-	-	-	-	-
Loan capital	2,039	329	1,010	-	700	-	-
Total financial liabilities	91,437	60,840	8,969	6,933	5,672	489	8,534
Non-financial liabilities	629	-	-	-	-	-	629
Equity	8,892	-	-	-	-	-	8,892
Total liabilities and equity	100,958	60,840	8,969	6,933	5,672	489	18,055
On-balance sheet interest sensitivity gap	-	(18,191)	(3,907)	(689)	32,864	(159)	(9,918)
Hedging instruments	-	22,438	5,988	3,680	(32,872)	766	-
Interest sensitivity gap - net	-	4,247	2,081	2,991	(8)	607	(9,918)
Interest sensitivity gap - cumulative	-	4,247	6,328	9,319	9,311	9,918	-

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated						
	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
Audited 30/09/2007							
Assets							
Liquid assets	4,807	4,606	-	-	-	-	201
Due from other financial institutions	3,563	2,925	440	-	174	-	24
Trading securities	1,877	742	375	4	629	127	-
Derivative financial instruments	4,711	-	-	-	-	-	4,711
Available-for-sale assets	48	34	-	-	13	-	1
Net loans and advances	87,878	33,335	4,051	11,404	39,355	84	(351)
Other financial assets	970	-	-	-	-	-	970
Total financial assets	103,854	41,642	4,866	11,408	40,171	211	5,556
Non-financial assets	3,933	-	-	-	-	-	3,933
Total assets	107,787	41,642	4,866	11,408	40,171	211	9,489
Liabilities							
Due to other financial institutions	3,170	2,334	216	189	16	377	38
Deposits and other borrowings	70,030	49,276	7,489	6,261	2,650	-	4,354
Derivative financial instruments	4,924	-	-	-	-	-	4,924
Payables and other financial liabilities	1,087	16	77	-	-	60	934
Bonds and notes	14,607	13,113	150	379	965	-	-
Due to parent company	2,775	2,775	-	-	-	-	-
Loan capital	2,062	217	799	100	946	-	-
Total financial liabilities	98,655	67,731	8,731	6,929	4,577	437	10,250
Non-financial liabilities	429	-	-	-	-	-	429
Equity	8,703	-	-	-	-	-	8,703
Total liabilities and equity	107,787	67,731	8,731	6,929	4,577	437	19,382
On-balance sheet interest sensitivity gap	-	(26,089)	(3,865)	4,479	35,594	(226)	(9,893)
Hedging instruments	-	25,195	3,514	2,371	(31,707)	627	-
Interest sensitivity gap - net	-	(894)	(351)	6,850	3,887	401	(9,893)
Interest sensitivity gap - cumulative	-	(894)	(1,245)	5,605	9,492	9,893	-

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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
Unaudited 31/03/2008							
Assets							
Liquid assets	3,863	3,648	-	-	-	-	215
Due from other financial institutions	3,455	2,779	570	-	-	-	106
Trading securities	2,149	893	149	8	847	252	-
Derivative financial instruments	4,865	-	-	-	-	-	4,865
Available-for-sale assets	86	-	-	30	1	-	55
Net loans and advances	90,171	38,058	6,464	10,321	35,638	10	(320)
Due from subsidiary companies	1,506	74	153	-	525	-	754
Other financial assets	808	-	-	-	-	-	808
Total financial assets	106,903	45,452	7,336	10,359	37,011	262	6,483
Non-financial assets	11,551	-	-	-	-	-	11,551
Total assets	118,454	45,452	7,336	10,359	37,011	262	18,034
Liabilities							
Due to other financial institutions	1,432	1,022	81	95	36	21	177
Deposits and other borrowings	61,379	44,137	5,764	6,180	993	-	4,305
Due to subsidiary companies	37,078	33,512	2,417	560	589	-	-
Derivative financial instruments	4,445	-	-	-	-	-	4,445
Payables and other financial liabilities	1,146	188	15	-	24	-	919
Bonds and notes	579	279	-	150	150	-	-
Due to parent company	1,758	1,758	-	-	-	-	-
Loan capital	2,053	215	893	-	945	-	-
Total financial liabilities	109,870	81,111	9,170	6,985	2,737	21	9,846
Non-financial liabilities	412	-	-	-	-	-	412
Equity	8,172	-	-	-	-	-	8,172
Total liabilities and equity	118,454	81,111	9,170	6,985	2,737	21	18,430
On-balance sheet interest sensitivity gap	-	(35,659)	(1,834)	3,374	34,274	241	(396)
Hedging instruments	-	27,700	6,576	(6,501)	(28,389)	614	-
Interest sensitivity gap - net	-	(7,959)	4,742	(3,127)	5,885	855	(396)
Interest sensitivity gap - cumulative	-	(7,959)	(3,217)	(6,344)	(459)	396	-

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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
Unaudited 31/03/2007							
Assets							
Liquid assets	5,740	5,495	-	-	-	-	245
Due from other financial institutions	2,580	2,280	-	-	-	-	300
Trading securities	1,916	1,590	79	3	43	201	-
Derivative financial instruments	3,066	-	-	-	-	-	3,066
Available-for-sale assets	35	32	-	-	3	-	-
Net loans and advances	78,570	32,288	4,821	5,929	35,735	114	(317)
Due from subsidiary companies	1,543	243	-	-	476	171	653
Other financial assets	606	-	-	-	-	-	606
Total financial assets	94,056	41,928	4,900	5,932	36,257	486	4,553
Non-financial assets	11,578	-	-	-	-	-	11,578
Total assets	105,634	41,928	4,900	5,932	36,257	486	16,131
Liabilities							
Due to other financial institutions	1,741	1,245	-	-	48	95	353
Deposits and other borrowings	56,618	39,831	5,010	4,760	2,859	-	4,158
Due to subsidiary companies	30,185	23,397	2,575	2,457	1,756	-	-
Derivative financial instruments	3,165	-	-	-	-	-	3,165
Payables and other financial liabilities	924	261	11	-	-	-	652
Bonds and notes	509	209	-	-	300	-	-
Due to parent company	2,764	2,764	-	-	-	-	-
Loan capital	2,039	329	1,010	-	700	-	-
Total financial liabilities	97,945	68,036	8,606	7,217	5,663	95	8,328
Non-financial liabilities	591	-	-	-	-	-	591
Equity	7,098	-	-	-	-	-	7,098
Total liabilities and equity	105,634	68,036	8,606	7,217	5,663	95	16,017
On-balance sheet interest sensitivity gap	-	(26,108)	(3,706)	(1,285)	30,594	391	114
Hedging instruments	-	22,843	5,988	3,685	(32,893)	377	-
Interest sensitivity gap - net	-	(3,265)	2,282	2,400	(2,299)	768	114
Interest sensitivity gap - cumulative	-	(3,265)	(983)	1,417	(882)	(114)	-

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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
Audited 30/09/2007							
Assets							
Liquid assets	4,807	4,606	-	-	-	-	201
Due from other financial institutions	3,101	2,637	440	-	-	-	24
Trading securities	1,877	742	375	4	629	127	-
Derivative financial instruments	4,705	-	-	-	-	-	4,705
Available-for-sale assets	38	34	-	-	3	-	1
Net loans and advances	84,044	32,602	3,855	11,008	36,844	68	(333)
Due from subsidiary companies	1,585	141	-	140	397	156	751
Other financial assets	852	-	-	-	-	-	852
Total financial assets	101,009	40,762	4,670	11,152	37,873	351	6,201
Non-financial assets	11,300	-	-	-	-	-	11,300
Total assets	112,309	40,762	4,670	11,152	37,873	351	17,501
Liabilities							
Due to other financial institutions	1,686	1,562	15	23	16	30	40
Deposits and other borrowings	58,514	41,294	5,802	4,978	2,086	-	4,354
Due to subsidiary companies	32,942	28,650	1,778	1,285	1,229	-	-
Derivative financial instruments	4,896	-	-	-	-	-	4,896
Payables and other financial liabilities	741	16	19	-	-	-	706
Bonds and notes	561	261	-	-	300	-	-
Due to parent company	2,775	2,775	-	-	-	-	-
Loan capital	2,062	217	799	100	946	-	-
Total financial liabilities	104,177	74,775	8,413	6,386	4,577	30	9,996
Non-financial liabilities	405	-	-	-	-	-	405
Equity	7,727	-	-	-	-	-	7,727
Total liabilities and equity	112,309	74,775	8,413	6,386	4,577	30	18,128
On-balance sheet interest sensitivity gap	-	(34,013)	(3,743)	4,766	33,296	321	(627)
Hedging instruments	-	25,234	3,514	2,378	(31,753)	627	-
Interest sensitivity gap - net	-	(8,779)	(229)	7,144	1,543	948	(627)
Interest sensitivity gap - cumulative	-	(8,779)	(9,008)	(1,864)	(321)	627	-

Equity securities classified as available-for-sale

Market risk arises on equity securities classified as available-for-sale. The fair value of these securities as at 31 March 2008 was $55 million (31 March 2007 $nil; 30 September 2007 $1 million) and private equity holdings of $nil included in other assets (31 March 2007 $2 million; 30 September 2007 $2 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 2008 would have reduced equity by $5 million (31 March 2007 $nil; 30 September 2007 $nil).

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.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Net open position						
Australian dollar	**15**	13	(10)	**15**	13	(10)
Euro	**1**	-	13	**1**	-	13
Pound sterling	**1**	18	(1)	**1**	18	(1)
US dollar	**(26)**	(31)	2	**(26)**	(31)	2
Other	**6**	4	2	**6**	4	2
Total net open position	**(3)**	4	6	**(3)**	4	6

LIQUIDITY RISK

Liquidity risk is the risk that the 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 Banking Group maintains sufficient liquid funds to meet its commitments based on historical and forecasted cash flow requirements. Liquidity risk is measured through cash flow modelling, with profiles produced for both normal business and short-term crisis conditions.

The timing mismatch of cashflows and the related liquidity risk is inherent in all banking operations, and may result from internal and/or external events, including: credit or operational risks, bank-specific events, market disruptions, or systemic shocks. The following outlines the Banking Group's approach to liquidity and funding risk management. Principles include:

- ensuring the liquidity management framework is compatible with local regulatory requirements;
- daily liquidity reporting and scenario analysis to quantify the Banking Group's positions;
- monitoring wholesale and customer liability composition;
- maintaining 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; and
- establishing detailed contingency plans to cover liquidity crisis events.

Scenario Modelling

A key component of the Banking Group's liquidity management framework is scenario modelling. This requires assessing liquidity under at least two specific scenarios:

1. 'Normal Business conditions': the normal behaviour of cash flows in the ordinary course of business. The Banking Group must be able to meet all commitments and obligations under a going concern scenario, within the Banking Group's normal funding capacity, over at least the next 30 calendar days. In estimating the funding requirement, the Banking Group models expected cashflows by reference to historical behaviour and contractual maturity data.
2. 'Short term crisis': refers to a potential name-specific liquidity crisis in which the Banking Group may have significant difficulty rolling over or replacing liabilities. The Banking Group needs to be cashflow positive over a 5 business day period under a short term crisis scenario. The Banking Group models expected cashflow behaviour under such a scenario based on the type of customer and their level of sophistication, and the type of asset/ liability.

In addition, the Banking Group models a number of other stress tests and liquidity scenarios over a variety of time horizons, including the impact of credit rating downgrades, and reduced access to wholesale debt in domestic and offshore markets.

Customer and wholesale funding composition

The Banking Group employs actual cash flow based funding metrics to determine appropriate balance sheet liquidity and funding risk strategies. These metrics are used to measure and manage the proportion of the Banking Group's external assets which are funded by customer liabilities, wholesale debt, equity and loan capital.

Managing these metrics assists in ensuring that an appropriate proportion of the Banking Group's assets are funded by either 'sticky' customer liabilities; or long-term wholesale debt funding (with a remaining term exceeding 1 year). This approach recognises that long-term wholesale debt and other sticky liabilities have favourable liquidity characteristics thereby assisting in reducing any adverse impact or volatility caused by short-term funding, and in monitoring the impact of deposit-gathering strategies.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Funding composition						
Customer deposits[1]						
New Zealand	**51,426**	48,096	50,391	**49,766**	46,268	48,711
Overseas	**6,199**	5,707	5,875	**6,096**	5,160	5,356
Total customer deposits	**57,625**	53,803	56,266	**55,862**	51,428	54,067
Wholesale funding						
Bonds and notes	**16,586**	13,340	14,607	**579**	509	561
Loan capital	**2,053**	2,039	2,062	**2,053**	2,039	2,062
Certificates of deposit	**5,517**	5,190	4,447	**5,517**	5,190	4,447
Commercial paper	**10,938**	5,565	9,317	**-**	-	-
Due to subsidiary companies - ANZ National (Int'l) Limited	**-**	-	-	**27,155**	20,137	24,183
Due to subsidiary companies - other	**-**	-	-	**9,923**	10,048	8,759
Due to parent company	**1,758**	2,764	2,775	**1,758**	2,764	2,775
Secured deposits	**-**	200	-	**-**	-	-
Due to other financial institutions	**2,384**	4,178	3,170	**1,432**	1,741	1,686
Total wholesale funding	**39,236**	33,276	36,378	**48,417**	42,428	44,473
Total funding	**96,861**	87,079	92,644	**104,279**	93,856	98,540
Concentrations of funding by industry						
Households	**35,702**	32,881	34,234	**33,939**	30,896	32,448
Agriculture, forestry and fishing	**2,580**	1,879	2,010	**2,580**	1,879	2,010
Manufacturing	**1,544**	1,220	1,429	**1,544**	1,220	1,429
Finance and insurance	**44,891**	39,714	43,727	**54,072**	48,676	51,409
Retail trade	**735**	621	665	**735**	621	665
Wholesale trade	**644**	575	590	**644**	575	590
Business and property services	**4,696**	4,399	4,405	**4,696**	4,399	4,405
Transport and storage	**714**	579	582	**714**	579	582
Construction	**643**	642	693	**643**	642	693
Government and local authority	**1,614**	1,537	1,366	**1,614**	1,537	1,366
Other[2]	**3,098**	3,032	2,943	**3,098**	2,832	2,943
Total concentrations of funding by industry	**96,861**	87,079	92,644	**104,279**	93,856	98,540
Concentrations of funding by geography[3]						
New Zealand	**60,351**	57,038	57,320	**68,711**	65,177	64,561
United States	**15,459**	12,251	13,834	**15,090**	11,495	13,069
Europe	**14,307**	11,057	14,120	**13,800**	10,552	13,615
Other countries	**6,744**	6,733	7,370	**6,678**	6,632	7,295
Total concentrations of funding by geography	**96,861**	87,079	92,644	**104,279**	93,856	98,540

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

1. Represents: term deposits, other deposits bearing interest, deposits not bearing interest and secured debenture stock.
2. Other includes exposures to mining, electricity, gas and water, entertainment, leisure and tourism, communications, and personal services.
3. Funding of the Bank 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.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Wholesale funding

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

Liquidity portfolio management

The Banking Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in the event of a market disruption.

The size of the Banking Group's liquidity portfolio is based on the amount of liquidity required to meet: day-to-day operational requirements; a potential name crisis; or potential wholesale 'funding stress' requirements.

In addition, the Banking Group monitors the ratio of cover provided by the liquidity portfolio to fund both domestic and offshore wholesale debt maturities.

Supplementing its liquidity position, the Banking Group holds additional cash and liquid asset balances. The Markets business holds secondary sources of liquidity in the form of highly liquid instruments in its trading portfolios.

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

		Consolidated			Parent		
	Note	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Cash and balances with central banks	7	**2,171**	4,041	2,809	**2,171**	4,041	2,809
Securities purchased under agreement to resell	7	**-**	-	221	**-**	-	221
Securities purchased under agreements to resell	8	**185**		125	**185**		125
Certificates of deposit	8	**2,609**	737	1,634	**2,609**	737	1,634
Government, Local Body stock and bonds	9	**1**	126	-	**1**	126	-
Certificates of deposit	9	**690**	1,148	783	**690**	1,148	783
Other bank bonds	9	**935**	-	595	**935**	-	595
Government, Local Body stock and bonds	12	**-**	-	1	**-**	-	1
Total liquidity portfolio		**6,591**	6,052	6,168	**6,591**	6,052	6,168

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.

Liquidity crisis contingency planning

The Banking Group maintains liquidity crisis contingency plans defining an approach for analysing and responding to a liquidity threatening event at a 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;
- 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.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

The tables below analyse the Banking Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Where a counterparty has a choice of when an amount is received or paid, the asset or liability is included on the basis of the earliest date on which the Banking Group expects to receive or is required to repay.

The Banking Group does not manage its liquidity risk on this basis. The management of this risk is detailed on pages 78 to 80. The analysis presented below has been made on a discounted basis, as the Banking Group considers this basis to provide more relevant information to evaluate the nature and extent of liquidity risk. The Banking Group does not use undiscounted financial information when managing liquidity risk in practice.

Contractual maturity analysis of financial assets and liabilities:

	Consolidated						
	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 31/03/2008							
Assets							
Liquid assets	**3,863**	**3,776**	**87**	**-**	**-**	**-**	**-**
Due from other financial institutions	**3,890**	**418**	**2,469**	**570**	**433**	**-**	**-**
Trading securities	**2,149**	**-**	**868**	**157**	**866**	**258**	**-**
Derivative financial instruments	**4,865**	**-**	**-**	**-**	**-**	**-**	**4,865**
Available-for-sale assets	**96**	**-**	**-**	**-**	**11**	**30**	**55**
Net loans and advances	**92,579**	**-**	**9,514**	**10,636**	**24,694**	**48,098**	**(363)**
Other financial assets	**891**	**-**	**891**	**-**	**-**	**-**	**-**
Total financial assets	**108,333**	**4,194**	**13,829**	**11,363**	**26,004**	**48,386**	**4,557**
Liabilities							
Due to other financial institutions	**2,384**	**923**	**539**	**519**	**382**	**21**	**-**
Deposits and other borrowings	**74,080**	**25,954**	**30,870**	**16,110**	**1,146**	**-**	**-**
Derivative financial instruments	**4,472**	**-**	**-**	**-**	**-**	**-**	**4,472**
Other financial liabilities	**1,361**	**-**	**1,262**	**15**	**84**	**-**	**-**
Bonds and notes	**16,586**	**-**	**1,690**	**5,236**	**9,660**	**-**	**-**
Due to parent company	**1,758**	**1,758**	**-**	**-**	**-**	**-**	**-**
Loan capital	**2,053**	**-**	**-**	**-**	**-**	**1,746**	**307**
Total financial liabilities	**102,694**	**28,635**	**34,361**	**21,880**	**11,272**	**1,767**	**4,779**
Unaudited 31/03/2007							
Assets							
Liquid assets	5,741	5,644	97	-	-	-	-
Due from other financial institutions	3,067	776	1,805	-	200	286	-
Trading securities	1,917	-	1,490	94	107	226	-
Derivative financial instruments	3,041	-	-	-	-	-	3,041
Available-for-sale assets	45	-	32	-	13	-	-
Net loans and advances	82,258	-	9,230	9,051	22,086	42,229	(338)
Other financial assets	714	-	714	-	-	-	-
Total financial assets	96,783	6,420	13,368	9,145	22,406	42,741	2,703
Liabilities							
Due to other financial institutions	4,178	611	2,274	816	48	429	-
Deposits and other borrowings	64,758	26,546	22,167	13,734	2,311	-	-
Derivative financial instruments	3,168	-	-	-	-	-	3,168
Other financial liabilities	1,190	-	1,025	68	37	60	-
Bonds and notes	13,340	-	148	1,186	12,006	-	-
Due to parent company	2,764	2,764	-	-	-	-	-
Loan capital	2,039	-	-	-	-	1,738	301
Total financial liabilities	91,437	29,921	25,614	15,804	14,402	2,227	3,469

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated						
	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
Audited 30/09/2007							
Assets							
Liquid assets	4,807	4,477	330	-	-	-	-
Due from other financial institutions	3,563	952	1,698	440	187	286	-
Trading securities	1,877	-	658	396	671	152	-
Derivative financial instruments	4,711	-	-	-	-	-	4,711
Available-for-sale assets	48	-	33	1	13	-	1
Net loans and advances	87,878	-	9,276	9,906	24,142	44,905	(351)
Other financial assets	970	-	970	-	-	-	-
Total financial assets	103,854	5,429	12,965	10,743	25,013	45,343	4,361
Liabilities							
Due to other financial institutions	3,170	1,136	1,220	405	32	377	-
Deposits and other borrowings	70,030	25,482	27,577	14,726	2,245	-	-
Derivative financial instruments	4,924	-	-	-	-	-	4,924
Other financial liabilities	1,087	-	919	76	32	60	-
Bonds and notes	14,607	-	672	4,341	9,594	-	-
Due to parent company	2,775	2,775	-	-	-	-	-
Loan capital	2,062	-	-	-	-	1,753	309
Total financial liabilities	98,655	29,393	30,388	19,548	11,903	2,190	5,233

	Parent						
	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 31/03/2008							
Assets							
Liquid assets	**3,863**	**3,776**	**87**	**-**	**-**	**-**	**-**
Due from other financial institutions	**3,455**	**417**	**2,468**	**570**	**-**	**-**	**-**
Trading securities	**2,149**	**-**	**868**	**157**	**866**	**258**	**-**
Derivative financial instruments	**4,865**	**-**	**-**	**-**	**-**	**-**	**4,865**
Available-for-sale assets	**86**	**-**	**-**	**-**	**1**	**30**	**55**
Net loans and advances	**90,171**	**-**	**8,690**	**10,086**	**23,633**	**48,082**	**(320)**
Due from subsidiary companies	**1,506**	**624**	**-**	**153**	**729**	**-**	**-**
Other financial assets	**808**	**-**	**808**	**-**	**-**	**-**	**-**
Total financial assets	**106,903**	**4,817**	**12,921**	**10,966**	**25,229**	**48,370**	**4,600**
Liabilities							
Due to other financial institutions	**1,432**	**923**	**276**	**176**	**36**	**21**	**-**
Deposits and other borrowings	**61,379**	**25,514**	**22,957**	**11,915**	**993**	**-**	**-**
Due to subsidiary companies	**37,078**	**8,765**	**9,260**	**9,613**	**9,440**	**-**	**-**
Derivative financial instruments	**4,445**	**-**	**-**	**-**	**-**	**-**	**4,445**
Other financial liabilities	**1,146**	**-**	**1,107**	**15**	**24**	**-**	**-**
Bonds and notes	**579**	**-**	**183**	**176**	**220**	**-**	**-**
Due to parent company	**1,758**	**1,758**	**-**	**-**	**-**	**-**	**-**
Loan capital	**2,053**	**-**	**-**	**-**	**-**	**1,746**	**307**
Total financial liabilities	**109,870**	**36,960**	**33,783**	**21,895**	**10,713**	**1,767**	**4,752**

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Parent						
	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 31/03/2007							
Assets							
Liquid assets	5,740	5,643	97	-	-	-	-
Due from other financial institutions	2,580	774	1,806	-	-	-	-
Trading securities	1,916	-	1,489	94	107	226	-
Derivative financial instruments	3,066	-	-	-	-	-	3,066
Available-for-sale assets	35	-	32	-	3	-	-
Net loans and advances	78,570	-	8,930	8,498	19,253	42,206	(317)
Due from subsidiary companies	1,543	609	-	5	758	171	-
Other financial assets	606	-	606	-	-	-	-
Total financial assets	94,056	7,026	12,960	8,597	20,121	42,603	2,749
Liabilities							
Due to other financial institutions	1,741	611	987	-	48	95	-
Deposits and other borrowings	56,618	25,546	19,385	9,941	1,746	-	-
Due to subsidiary companies	30,185	8,212	5,305	5,500	11,168	-	-
Derivative financial instruments	3,165		-	-	-	-	3,165
Other financial liabilities	924		876	11	37	-	-
Bonds and notes	509		10	70	429	-	-
Due to parent company	2,764	2,764	-	-	-	-	-
Loan capital	2,039		-	-	-	1,738	301
Total financial liabilities	97,945	37,133	26,563	15,522	13,428	1,833	3,466
Audited 30/09/2007							
Assets							
Liquid assets	4,807	4,477	330	-	-	-	-
Due from other financial institutions	3,101	950	1,711	440	-	-	-
Trading securities	1,877	-	658	396	671	152	-
Derivative financial instruments	4,705	-	-	-	-	-	4,705
Available-for-sale assets	38	-	33	1	3	-	1
Net loans and advances	84,044	-	9,018	9,142	21,336	44,881	(333)
Due from subsidiary companies	1,585	627	-	148	654	156	-
Other financial assets	852	-	852	-	-	-	-
Total financial assets	101,009	6,054	12,602	10,127	22,664	45,189	4,373
Liabilities							
Due to other financial institutions	1,686	1,136	450	38	32	30	-
Deposits and other borrowings	58,514	25,069	19,597	11,756	2,092	-	-
Due to subsidiary companies	32,942	6,841	8,751	6,725	10,625	-	-
Derivative financial instruments	4,896	-	-	-	-	-	4,896
Other financial liabilities	741	-	690	19	32	-	-
Bonds and notes	561	-	-	150	411	-	-
Due to parent company	2,775	2,775	-	-	-	-	-
Loan capital	2,062	-	-	-	-	1,753	309
Total financial liabilities	104,177	35,821	29,488	18,688	13,192	1,783	5,205

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33. CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk to individual counterparties

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

	Consolidated					
	Unaudited 31/03/2008 Number of Counterparties		Unaudited 31/03/2007 Number of Counterparties		Audited 30/09/2007 Number of Counterparties	
	As at	**Peak for the quarter**	As at	Peak for the quarter	As at	Peak for the quarter
10% to 20% of equity	**1**	**1**	2	2	2	2

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

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

	Consolidated					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Amount $m	**% of Total Credit Exposure**	Amount $m	% of Total Credit Exposure	Amount $m	% of Total Credit Exposure
As at						
Investment grade credit rating[1]	**1,629**	**100.0%**	2,500	100.0%	2,509	100.0%

Concentrations of credit risk to bank counterparties

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

	Consolidated					
	Unaudited 31/03/2008 Number of Counterparties		Unaudited 31/03/2007 Number of Counterparties		Audited 30/09/2007 Number of Counterparties	
	As at	**Peak for the quarter**	As at	Peak for the quarter	As at	Peak for the quarter
10% to 20% of equity	**2**	**3**	1	2	1	3

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

	Consolidated					
	Unaudited 31/03/2008 % of Total		Unaudited 31/03/2007 % of Total		Audited 30/09/2007 % of Total	
	Amount $m	**Credit Exposure**	Amount $m	Credit Exposure	Amount $m	Credit Exposure
As at						
Investment grade credit rating[1]	**2,477**	**100.0%**	1,343	100.0%	1,193	100.0%

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

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33. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Concentrations of credit risk to connected persons

	Consolidated					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Amount $m	**% of Tier One Capital**	Amount $m	% of Tier One Capital	Amount $m	% of Tier One Capital
Aggregate at end of period						
Other connected persons[2]	**1,694**	**29.8%**	1,454	27.3%	1,952	38.1%
Non-bank connected persons[3]	**-**	**0.0%**	-	0.0%	-	0.0%
Peak end-of-day for the quarter[4]						
Other connected persons	**1,941**	**34.2%**	1,612	30.2%	2,299	44.8%
Non-bank connected persons	**-**	**0.0%**	-	0.0%	-	0.0%
Rating-contingent limit[5]						
Other connected persons	**n/a**	**70.0%**	n/a	70.0%	n/a	75.0%
Non-bank connected persons	**n/a**	**15.0%**	n/a	15.0%	n/a	15.0%

The credit exposure concentrations disclosed for connected persons are on the basis of actual gross exposures and exclusive of exposures of a capital nature. The peak end-of-day credit exposures for the quarter to connected persons are measured over Tier One Capital as at the end of the quarter. There were no individual provisions provided against credit exposures to connected persons as at 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil). The Banking Group had no contingent exposures arising from risk lay-off arrangements to connected persons as at 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil).

2. The Banking Group has amounts due from its Parent Company and Ultimate Parent Company and other entities within the Ultimate Parent Group arising from the ordinary course of its business. These balances arise primarily from unrealised gains on trading and hedging derivative financial instruments with the Ultimate Parent Bank. As at 31 March 2008, the exposures to the Bank's Parent Company were $45 million (31/03/2007 $327 million; 30/09/2007 $249 million). As at 31 March 2008, the exposures to the Bank's Ultimate Parent Company were $1,649 million (31/03/2007 $1,127 million; 30/09/2007 $1,703 million).
3. Non-bank connected persons exposures consist of loans to directors of the Bank. Any loans are made in the ordinary course of business of the Bank, on an arm's length basis and on normal commercial terms and conditions.
4. The method of calculating the peak end-of-day disclosure above differs from that applied in determining the connected persons' limit under the Bank's Conditions of Registration. The peak end-of-day disclosure is measured against Tier One Capital at quarter end whereas the connected persons' exposure under the Conditions of Registration is measured against Tier One Capital on a continuous basis. The Banking Group has complied with the limits on aggregate credit exposures (of a non-capital nature and net of individual provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the quarter.
5. Represents the maximum peak end-of-day aggregate credit exposures limit (exclusive of exposures of a capital nature and net of individual provisions) to all connected persons. This is based on the rating applicable to the Bank's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars (refer page 116 for the credit rating). Within the overall limit a sub-limit of 15% of Tier One Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of individual provisions) to non-bank connected persons. On 4 May 2007, the connected persons' limit increased from 70% to 75% as a result of an improvement in the Bank's credit rating. On 18 March 2008, the Bank formally engaged Fitch Ratings to provide credit rating services. The Fitch Ratings rating of AA- has meant that from this date the connected persons' limit has decreased from 75% to 70% as the Fitch Ratings rating of AA- is lower than that given by Standard & Poor's and Moody's Investors Services.

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34. MARKET RISK

RBNZ Market Risk Disclosure

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

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

	Consolidated					
	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Banking Group's Equity	
	As at $m	Peak $m	As at $m	Peak $m	As at $m	Peak $m
Unaudited 31/03/2008						
Interest rate risk	**3,495**	**3,745**	**279.6**	**299.6**	**3.0%**	**3.2%**
Foreign currency risk	**23**	**83**	**1.8**	**6.6**	**0.0%**	**0.1%**
Equity risk	**55**	**89**	**4.4**	**7.1**	**0.0%**	**0.1%**
Unaudited 31/03/2007						
Interest rate risk	3,923	4,093	313.8	327.4	3.5%	3.7%
Foreign currency risk	95	166	7.6	13.3	0.1%	0.1%
Equity risk	3	6	0.2	0.5	0.0%	0.0%
Audited 30/09/2007						
Interest rate risk	3,778	4,668	302.2	373.4	3.5%	4.3%
Foreign currency risk	16	81	1.3	6.5	0.0%	0.1%
Equity risk	3	3	0.2	0.2	0.0%	0.0%

35. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Interest earning and discount bearing assets	**102,564**	92,821	98,298	**100,420**	89,503	94,808
Interest and discount bearing liabilities	**92,666**	82,903	88,405	**100,024**	89,617	94,181

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

All financial instruments are recognised initially at fair value, which 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 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. For the majority of short-term financial instruments, defined as those which reprice or mature in 90 days or less, with no significant change in credit risk, the fair value was assumed to equate to the carrying amount in the Banking Group's balance sheet.

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 values are based on present value estimates or other market accepted valuation techniques which include data from observable markets wherever possible.

The fair values are based on relevant information available as at the respective balance sheet dates. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement and changes in underlying assumptions could significantly affect these estimates.

In the tables below, classes of financial assets 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 and loss and derivatives in effective hedging relationships.

The significant accounting policies in Note 1 Accounting Policies 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. The carrying amount and fair value of the Banking Group's financial assets and financial liabilities are also set out below.

A significant number of financial instruments are carried at fair value in the balance sheet. Additional disclosure of the fair value of those financial instruments not carried at fair value has been provided below. 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 Banking Group.

FINANCIAL ASSETS

Liquid assets and due from other financial institutions

The carrying values of these financial instruments are considered to approximate their net fair values as they are short-term in nature or are receivable on demand.

Trading securities

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

Derivative financial instruments

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.

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. The estimated fair value of loans and advances is based on the discounted amount of estimated future cash flows and accordingly has not been adjusted for provision for credit impairment. Estimated contractual cash flows for performing loans are discounted at estimated current bank credit spreads to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate, which includes a premium for the uncertainty of the flows.

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 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 2008 (31 March 2007 nil; 30 September 2007 nil).

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

FINANCIAL LIABILITIES

Due to other financial institutions

The carrying values of these financial instruments are considered to approximate their net fair values as they are short-term in nature or are receivable on demand.

Deposits and other borrowings

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.

For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows.

Bonds and notes, due to parent company 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. The carrying value of the due to parent company balance is considered to approximate the fair value as it is repayable on demand.

Other financial liabilities

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

Commitments and contingencies

As outlined in Note 43 Contingent Liabilities and Credit Related Commitments, the Banking Group and the Bank have 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.

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.

Deposits and other borrowings

At balance date, the carrying amount of deposits and other borrowings designated by the Banking Group at fair value through profit or loss was $10,938 million (31/03/2007 $5,565 million; 30/09/2007 $9,317 million). This is $5 million higher (31/03/2007 $5 million lower; 30/09/2007 $2 million lower) 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 $1 million (31/03/2007 less than $1 million; 30/09/2007 less than $1 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).

The fair value amounts have not been updated for the purposes of these financial statements since 31 March 2008, and therefore the fair value of the financial instruments subsequent to 31 March 2008 may be different from the amounts reported.

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Consolidated						
	At amortised cost			At fair value though profit or loss	Hedging	Available-for-sale assets	
Carrying amount	Loans and receivables $m	Other financial assets at amortised cost $m	Sub-total $m	Held for trading $m	$m	$m	Total $m
Financial assets							
Unaudited 31/03/2008							
Liquid assets	**-**	**3,863**	**3,863**	**-**	**-**	**-**	**3,863**
Due from other financial institutions	**-**	**1,281**	**1,281**	**-**	**-**	**2,609**	**3,890**
Trading securities	**-**	**-**	**-**	**2,149**	**-**	**-**	**2,149**
Derivative financial instruments[1]	**-**	**-**	**-**	**4,471**	**394**	**-**	**4,865**
Available-for-sale assets	**-**	**-**	**-**	**-**	**-**	**96**	**96**
Net loans and advances[2]	**92,579**	**-**	**92,579**	**-**	**-**	**-**	**92,579**
Other financial assets	**-**	**891**	**891**	**-**	**-**	**-**	**891**
Total financial assets	**92,579**	**6,035**	**98,614**	**6,620**	**394**	**2,705**	**108,333**
Unaudited 31/03/2007							
Liquid assets	-	5,741	5,741	-	-	-	5,741
Due from other financial institutions	-	2,330	2,330	-	-	737	3,067
Trading securities	-	-	-	1,917	-	-	1,917
Derivative financial instruments[1]	-	-	-	2,718	323	-	3,041
Available-for-sale assets	-	-	-	-	-	45	45
Net loans and advances[2]	82,258	-	82,258	-	-	-	82,258
Other financial assets	-	712	712	-	-	2	714
Total financial assets	82,258	8,783	91,041	4,635	323	784	96,783
Audited 30/09/2007							
Liquid assets	-	4,807	4,807	-	-	-	4,807
Due from other financial institutions	-	1,929	1,929	-	-	1,634	3,563
Trading securities	-	-	-	1,877	-	-	1,877
Derivative financial instruments[1]	-	-	-	4,214	497	-	4,711
Available-for-sale assets	-	-	-	-	-	48	48
Net loans and advances[2]	87,878	-	87,878	-	-	-	87,878
Other financial assets	-	968	968	-	-	2	970
Total financial assets	87,878	7,704	95,582	6,091	497	1,684	103,854

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

	Consolidated					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Liquid assets	**3,863**	**3,863**	5,741	5,741	4,807	4,807
Due from other financial institutions	**1,281**	**1,281**	2,330	2,330	1,929	1,929
Net loans and advances[2]	**92,579**	**92,377**	82,258	81,807	87,878	87,607
Other financial assets	**891**	**891**	712	712	968	968
Total financial assets at amortised cost	**98,614**	**98,412**	91,041	90,590	95,582	95,311

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 loans and advances. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Consolidated					
	At amortised cost	At fair value through profit or loss			Hedging	
Carrying amount	$m	Designated on initial recognition $m	Held for trading $m	Sub-total $m	$m	Total $m
Financial liabilities						
Unaudited 31/03/2008						
Due to other financial institutions	**2,384**	**-**	**-**	**-**	**-**	**2,384**
Deposits and other borrowings	**63,142**	**10,938**	**-**	**10,938**	**-**	**74,080**
Derivative financial instruments[1]	**-**	**-**	**4,223**	**4,223**	**249**	**4,472**
Other financial liabilities	**1,361**	**-**	**-**	**-**	**-**	**1,361**
Bonds and notes[2]	**16,586**	**-**	**-**	**-**	**-**	**16,586**
Due to parent company	**1,758**	**-**	**-**	**-**	**-**	**1,758**
Loan capital	**2,053**	**-**	**-**	**-**	**-**	**2,053**
Total financial liabilities	**87,284**	**10,938**	**4,223**	**15,161**	**249**	**102,694**
Unaudited 31/03/2007						
Due to other financial institutions	4,178	-	-	-	-	4,178
Deposits and other borrowings	59,193	5,565	-	5,565	-	64,758
Derivative financial instruments[1]	-	-	3,002	3,002	166	3,168
Other financial liabilities	1,190	-	-	-	-	1,190
Bonds and notes[2]	13,340	-	-	-	-	13,340
Due to parent company	2,764	-	-	-	-	2,764
Loan capital	2,039	-	-	-	-	2,039
Total financial liabilities	82,704	5,565	3,002	8,567	166	91,437
Audited 30/09/2007						
Due to other financial institutions	3,170	-	-	-	-	3,170
Deposits and other borrowings	60,713	9,317	-	9,317	-	70,030
Derivative financial instruments[1]	-	-	4,748	4,748	176	4,924
Other financial liabilities	1,087	-	-	-	-	1,087
Bonds and notes[2]	14,607	-	-	-	-	14,607
Due to parent company	2,775	-	-	-	-	2,775
Loan capital	2,062	-	-	-	-	2,062
Total financial liabilities	84,414	9,317	4,748	14,065	176	98,655

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

	Consolidated					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Due to other financial institutions	**2,384**	**2,396**	4,178	4,178	3,170	3,170
Deposits and other borrowings	**63,142**	**63,127**	59,193	59,148	60,713	60,676
Other financial liabilities	**1,361**	**1,361**	1,190	1,190	1,087	1,087
Bonds and notes[2]	**16,586**	**16,519**	13,340	13,341	14,607	14,585
Due to parent company	**1,758**	**1,758**	2,764	2,764	2,775	2,775
Loan capital	**2,053**	**2,020**	2,039	2,034	2,062	2,038
Total financial liabilities at amortised cost	**87,284**	**87,181**	82,704	82,655	84,414	84,331

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 loans and advances. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Parent						
	At amortised cost			At fair value though profit or loss	Hedging	Available-for-sale assets	
Carrying amount	Loans and receivables $m	Other financial assets at amortised cost $m	Sub-total $m	Held for trading $m	$m	$m	Total $m
Financial assets							
Unaudited 31/03/2008							
Liquid assets	**-**	**3,863**	**3,863**	**-**	**-**	**-**	**3,863**
Due from other financial institutions	**-**	**846**	**846**	**-**	**-**	**2,609**	**3,455**
Trading securities	**-**	**-**	**-**	**2,149**	**-**	**-**	**2,149**
Derivative financial instruments[1]	**-**	**-**	**-**	**4,471**	**394**	**-**	**4,865**
Available-for-sale assets	**-**	**-**	**-**	**-**	**-**	**86**	**86**
Net loans and advances[2]	**90,171**	**-**	**90,171**	**-**	**-**	**-**	**90,171**
Due from subsidiary companies	**-**	**1,506**	**1,506**	**-**	**-**	**-**	**1,506**
Other financial assets	**-**	**808**	**808**	**-**	**-**	**-**	**808**
Total financial assets	**90,171**	**7,023**	**97,194**	**6,620**	**394**	**2,695**	**106,903**
Unaudited 31/03/2007							
Liquid assets	-	5,740	5,740	-	-	-	5,740
Due from other financial institutions	-	1,843	1,843	-	-	737	2,580
Trading securities	-	-	-	1,916	-	-	1,916
Derivative financial instruments[1]	-	-	-	2,743	323	-	3,066
Available-for-sale assets	-	-	-	-	-	35	35
Net loans and advances[2]	78,570	-	78,570	-	-	-	78,570
Due from subsidiary companies	-	1,543	1,543	-	-	-	1,543
Other financial assets	-	606	606	-	-	-	606
Total financial assets	78,570	9,732	88,302	4,659	323	772	94,056
Audited 30/09/2007							
Liquid assets	-	4,807	4,807	-	-	-	4,807
Due from other financial institutions	-	1,467	1,467	-	-	1,634	3,101
Trading securities	-	-	-	1,877	-	-	1,877
Derivative financial instruments[1]	-	-	-	4,215	490	-	4,705
Available-for-sale assets	-	-	-	-	-	38	38
Net loans and advances[2]	84,044	-	84,044	-	-	-	84,044
Due from subsidiary companies	-	1,585	1,585	-	-	-	1,585
Other financial assets	-	852	852	-	-	-	852
Total financial assets	84,044	8,711	92,755	6,092	490	1,672	101,009

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

	Parent					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Liquid assets	**3,863**	**3,863**	5,740	5,740	4,807	4,807
Due from other financial institutions	**846**	**846**	1,843	1,843	1,467	1,467
Net loans and advances[2]	**90,171**	**89,956**	78,570	78,123	84,044	83,780
Due from subsidiary companies	**1,506**	**1,506**	1,543	1,543	1,585	1,585
Other financial assets	**808**	**808**	606	606	852	852
Total financial assets at amortised cost	**97,194**	**96,979**	88,302	87,855	92,755	92,491

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Parent					
	At amortised cost	At fair value through profit or loss			Hedging	
		Designated on initial recognition	Held for trading	Sub-total		Total
Carrying amount	$m	$m	$m	$m	$m	$m
Financial liabilities						
Unaudited 31/03/2008						
Due to other financial institutions	**1,432**	**-**	**-**	**-**	**-**	**1,432**
Deposits and other borrowings	**61,379**	**-**	**-**	**-**	**-**	**61,379**
Due to subsidiary companies	**37,078**	**-**	**-**	**-**	**-**	**37,078**
Derivative financial instruments[1]	**-**	**-**	**4,196**	**4,196**	**249**	**4,445**
Other financial liabilities	**1,146**	**-**	**-**	**-**	**-**	**1,146**
Bonds and notes[2]	**579**	**-**	**-**	**-**	**-**	**579**
Due to parent company	**1,758**	**-**	**-**	**-**	**-**	**1,758**
Loan capital	**2,053**	**-**	**-**	**-**	**-**	**2,053**
Total financial liabilities	**105,425**	**-**	**4,196**	**4,196**	**249**	**109,870**
Unaudited 31/03/2007						
Due to other financial institutions	1,741	-	-	-	-	1,741
Deposits and other borrowings	56,618	-	-	-	-	56,618
Due to subsidiary companies	30,185	-	-	-	-	30,185
Derivative financial instruments[1]	-	-	3,027	3,027	138	3,165
Other financial liabilities	924	-	-	-	-	924
Bonds and notes[2]	509	-	-	-	-	509
Due to parent company	2,764	-	-	-	-	2,764
Loan capital	2,039	-	-	-	-	2,039
Total financial liabilities	94,780	-	3,027	3,027	138	97,945
Audited 30/09/2007						
Due to other financial institutions	1,686	-	-	-	-	1,686
Deposits and other borrowings	58,514	-	-	-	-	58,514
Due to subsidiary companies	32,942	-	-	-	-	32,942
Derivative financial instruments[1]	-	-	4,748	4,748	148	4,896
Other financial liabilities	741	-	-	-	-	741
Bonds and notes[2]	561	-	-	-	-	561
Due to parent company	2,775	-	-	-	-	2,775
Loan capital	2,062	-	-	-	-	2,062
Total financial liabilities	99,281	-	4,748	4,748	148	104,177

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 loans and advances and financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

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36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

	Parent					
	Unaudited 31/03/2008		Unaudited 31/03/2007		Audited 30/09/2007	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Due to other financial institutions	**1,432**	**1,432**	1,741	1,741	1,686	1,686
Deposits and other borrowings	**61,379**	**61,368**	56,618	56,578	58,514	58,482
Due to subsidiary companies	**37,078**	**37,031**	30,185	30,185	32,942	32,931
Other financial liabilities	**1,146**	**1,146**	924	924	741	741
Bonds and notes[2]	**579**	**536**	509	509	561	550
Due to parent company	**1,758**	**1,758**	2,764	2,764	2,775	2,775
Loan capital	**2,053**	**2,020**	2,039	2,034	2,062	2,038
Total financial liabilities at amortised cost	**105,425**	**105,291**	94,780	94,735	99,281	99,203

2. Fair value hedging is applied to financial assets within loans and advances and financial liabilities within bonds and notes. The resulting fair value adjustment means that the carrying value differs from the amortised cost.

37. SEGMENTAL ANALYSIS

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

A summarised description of each business segment is shown below:

Retail Banking

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

Relationship Banking

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

Institutional

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

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

Other

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

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

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37. SEGMENTAL ANALYSIS (CONTINUED)

	Consolidated				
	Retail Banking $m	Relationship Banking $m	Institutional $m	Other $m	Total $m
Unaudited 6 months to 31/03/2008					
Continuing operations[1,2]					
External interest income	2,404	1,422	968	-	4,794
External interest expense	(1,267)	(315)	(911)	(1,163)	(3,656)
Net intersegment interest	(467)	(794)	(10)	1,271	-
Net interest income	670	313	47	108	1,138
Other external operating income	251	36	219	(13)	493
Share of profit of equity accounted associates and jointly controlled entities	12	-	1	83	96
Operating income	933	349	267	178	1,727
Other external expenses	309	66	40	218	633
Net intersegment and related party expenses[3]	175	47	33	(216)	39
Operating expenses	484	113	73	2	672
Profit before provision for credit impairment and income tax	449	236	194	176	1,055
Provision for credit impairment	60	18	16	(1)	93
Profit before income tax	389	218	178	177	962
Income tax expense	123	72	51	24	270
Profit after income tax	266	146	127	153	692
Discontinued operations					
Profit from discontinued operations (net of income tax)	-	-	-	-	-
Profit after income tax	266	146	127	153	692
Non-cash expenses					
Depreciation and amortisation	8	-	1	13	22
Balance sheet					
Total external assets	55,776	31,416	21,256	4,066	112,514
Share in associates and jointly controlled entities	201	-	61	88	350
Total external liabilities	38,520	9,310	21,564	33,739	103,133

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 ultimate parent bank level.

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37. SEGMENTAL ANALYSIS (CONTINUED)

	Consolidated				
	Retail Banking $m	Relationship Banking $m	Institutional $m	Other $m	Total $m
Unaudited 6 months to 31/03/2007					
Continuing operations[1, 2]					
External interest income	1,996	1,137	780	10	3,923
External interest expense	(987)	(245)	(690)	(894)	(2,816)
Net intersegment interest	(378)	(611)	11	978	-
Net interest income	631	281	101	94	1,107
Other external operating income	233	32	119	27	411
Share of profit of equity accounted associates and jointly controlled entities	10	-	1	-	11
Operating income	874	313	221	121	1,529
Other external expenses	303	57	37	222	619
Net intersegment and related party expenses[3]	175	48	28	(217)	34
Operating expenses	478	105	65	5	653
Profit before provision for credit impairment and income tax	396	208	156	116	876
Provision for credit impairment	26	11	(6)	(1)	30
Profit before income tax	370	197	162	117	846
Income tax expense	118	65	47	57	287
Profit after income tax	252	132	115	60	559
Discontinued operations					
Profit from discontinued operations (net of income tax)	-	-	-	76	76
Profit after income tax	252	132	115	136	635
Non-cash expenses					
Depreciation and amortisation	8	-	1	23	32
Balance sheet					
Total external assets	49,504	26,893	20,432	3,867	100,696
Share in associates and jointly controlled entities	177	-	11	2	190
Total external liabilities	34,936	8,124	22,263	26,481	91,804

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 ultimate parent bank level.

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37. SEGMENTAL ANALYSIS (CONTINUED)

	Consolidated				
	Retail Banking $m	Relationship Banking $m	Institutional $m	Other $m	Total $m
Audited year to 30/09/2007					
Continuing operations[1,2]					
External interest income	4,204	2,419	1,668	18	8,309
External interest expense	(2,094)	(526)	(1,507)	(1,932)	(6,059)
Net intersegment interest	(814)	(1,311)	7	2,118	-
Net interest income	1,296	582	168	204	2,250
Other external operating income	476	66	265	30	837
Share of profit of equity accounted associates and jointly controlled entities	22	-	2	-	24
Operating income	1,794	648	435	234	3,111
Other external expenses	623	122	73	442	1,260
Net intersegment and related party expenses[3]	348	96	58	(431)	71
Operating expenses	971	218	131	11	1,331
Profit before provision for credit impairment and income tax	823	430	304	223	1,780
Provision for credit impairment	57	21	(3)	(1)	74
Profit before income tax	766	409	307	224	1,706
Income tax expense	245	136	91	142	614
Profit after income tax	521	273	216	82	1,092
Discontinued operations					
Profit from discontinued operations (net of income tax)	-	-	-	76	76
Profit after income tax	521	273	216	158	1,168
Non-cash expenses					
Depreciation and amortisation	14	1	1	39	55
Balance sheet					
Total external assets	52,614	29,488	21,665	4,020	107,787
Share in associates and jointly controlled entities	189	-	15	2	206
Total external liabilities	36,787	8,611	25,586	28,100	99,084

Geographic segment analysis

The Banking Group operates predominantly in New Zealand. No other geographic segments are reportable secondary segments.

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 ultimate parent bank level.

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38. NOTES TO THE CASH FLOW STATEMENTS

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
Reconciliation of profit after income tax to net cash flows (used in) provided by operating activities						
Profit after income tax	**692**	635	1,168	**459**	425	1,776
Non-cash items:						
Depreciation and amortisation	**22**	32	55	**10**	13	25
Provision for credit impairment	**93**	30	74	**86**	29	75
Deferred fee revenue and expenses	**5**	-	3	**4**	(1)	1
Share-based payments expense	**7**	7	12	**7**	7	12
Amortisation of capitalised brokerage/ mortgage origination fees	**28**	21	45	**28**	21	45
Deferrals or accruals of past or future operating cash receipts or payments:						
Increase in operating assets and liabilities	**(3,568)**	(2,023)	(4,731)	**(3,324)**	(1,229)	(4,699)
Decrease (increase) in interest receivable	**23**	(38)	(94)	**(7)**	(31)	(104)
Increase in interest payable	**7**	63	242	**51**	67	166
Increase in accrued income	**(6)**	-	(1)	**(6)**	-	(1)
(Decrease) increase in accrued expenses	**(8)**	(23)	28	**(7)**	(25)	25
Decrease in provisions	**(11)**	(18)	(9)	**(7)**	(16)	(4)
Amortisation of premiums and discounts	**25**	32	46	**25**	32	46
(Increase) decrease in income tax assets	**(20)**	69	39	**(93)**	14	30
(Decrease) increase in income tax liabilities	**(32)**	42	62	**(32)**	44	64
Items classified as investing/financing:						
Share of profit of equity accounted associates and jointly controlled entities	**(96)**	(11)	(24)	**(96)**	(11)	(22)
Gain on disposal of controlled entities	**-**	(76)	(76)	**-**	-	-
Gain on disposal of associates and jointly controlled entities	**-**	-	(2)	**-**	-	-
Loss (gain) on disposal of premises and equipment	**1**	-	-	**-**	-	(1)
Net cash flows used in operating activities	**(2,838)**	(1,258)	(3,163)	**(2,902)**	(661)	(2,566)

Reconciliation of core liquidity portfolio to cash and cash equivalents

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

	Note	Consolidated			Parent		
		Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Total liquidity portfolio[1]	32	**6,591**	6,052	6,168	**6,591**	6,052	6,168
Add back:							
Liquid assets	7	**1,692**	1,700	1,873	**1,692**	1,699	1,873
Due from other financial institutions - less than 90 days	8	**663**	1,845	1,233	**662**	1,843	1,231
Deduct:							
Trading securities	9	**(1,626)**	(1,274)	(1,378)	**(1,626)**	(1,274)	(1,378)
Available-for-sale assets	12	**-**	-	(1)	**-**	-	(1)
Due from other financial institutions - greater than 90 days	8	**(1,770)**	(277)	(765)	**(1,770)**	(277)	(765)
Total cash and cash equivalents		**5,550**	8,046	7,130	**5,549**	8,043	7,128

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.

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39. CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES

Controlled entities	Ownership Interest %	Balance Dates	Nature of business
Airlie Investments Limited	100	30 September	Investment company
Alos Holdings Limited	100	30 September	Investment company
ANZ Capital NZ Limited	100	30 September	Investment company
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management company
ANZ National (Int'l) Limited	100	30 September	Finance company
ANZ National Staff Superannuation Limited	100	30 September	Staff superannuation scheme trustee
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	Investment company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Securities Limited	100	30 September	Finance company
Arawata Trust	100	30 September	Finance entity
Arawata Trust Company	100	30 September	Investment company
BHI Limited	100	30 September	Investment company
CBC Finance Limited (incorporated in United Kingdom)	100	31 December	Finance company
Control Nominees Limited	100	30 September	Finance company
Cortland Finance Limited	100	30 September	Investment company
Corvine Investments Limited	100	30 September	Investment company
Culver Finance Limited	100	30 September	Investment company
Direct Broking Limited	100	30 September	On-line share broker
Direct Nominees Limited	100	30 September	Non operative
EFTPOS New Zealand Limited	100	30 September	Eftpos service provider
Endeavour Finance Limited	100	30 September	Investment company
Endeavour Securities Limited	100	30 September	Investment company
General Finance Custodians Limited	-	31 March	Mortgage finance
Harcourt Corporation Limited	100	30 September	Investment company
Harcourt Investments Limited	100	30 September	Investment company
Karapiro Investments Limited	100	30 September	Non operative
Marmion Trust	-	31 December	Finance entity
National Bank of New Zealand Custodians Limited	100	30 September	Nominee and custody services
NBNZ Finance Limited	100	30 September	Finance company
NBNZ Holdings Hong Kong Limited (incorporated in Hong Kong)	100	31 December	Non operative
NBNZ Holdings Limited	100	30 September	Finance company
Origin Mortgage Management Services Limited	-	31 March	Mortgage finance
Pioneer First Limited	-	31 March	Mortgage finance
Private Nominees Limited	100	30 September	Nominee company
Radiola NZ Limited	100	30 September	Investment company
Rural Growth Fund Limited	100	30 September	Investment company
Sefton Finance Limited	100	30 September	Investment company
South Pacific Merchant Finance Limited	100	30 September	Investment company
Southpac Corporation Limited	100	30 September	Investment company
Technical Solutions Limited	100	30 September	Software provider
Trillium Holdings Limited	100	30 September	Finance company
Tui Endeavour Limited	100	30 September	Investment company
Tui Securities Limited	100	30 September	Investment company
UDC Finance Limited	100	30 September	Finance company

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39. CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

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

In relation to Marmion Trust, control exists through the undertaking of the majority of variability of risks and rewards.

Movements in controlled entities

On 7 November 2007, the Banking Group exited its controlling interest in Amberley Investments (50% ownership).

On 7 November 2007, the Banking Group exited its controlling interest in Endeavour Caterpillar New Zealand Finance Company (50% ownership).

On 3 December 2007, Radiola NZ Limited was incorporated as a subsidiary of the Banking Group, and on 23 May 2008 changed its name to Radiola Corporation Limited.

On 8 January 2008, the Banking Group exited its controlling interest in Nerine Finance No. 2 (65% ownership).

On 5 March 2008, the Banking Group purchased a 100% interest in Technical Solutions Limited.

On 11 April 2008, Pioneer First Limited changed its name to Origin Mortgage Management Services (2008) Limited.

Associates	Book Value $m	Voting Interest %	Ownership Interest %	Balance Dates	Nature of business
Cards NZ Limited	86	25	15	30 Sep	Card services
Electronic Transaction Services Limited	2	25	25	31 Mar	Eftpos settlements
EXCCL Limited	-	45	81	30 Sept	Plastics manufacturing and recycling
Mondex New Zealand Limited	-	40	40	31 Dec	Card services
NZ Poultry Enterprises Limited	40	20	20	30 Apr	Poultry processor
UCG Investments Limited	12	42	42	31 Mar	Rest home operator
Wyma Engineering (NZ) Limited	2	31	31	31 March	Agricultural machinery supplier
Total investment in associates	142				

All associates are incorporated in New Zealand.

Movements in associates

On 25 February 2008, ANZ Capital NZ Limited acquired a 20% ownership interest in NZ Poultry Enterprises Limited.

Jointly controlled entities	Book Value $m	Voting Interest %	Ownership Interest %	Balance Dates	Nature of business
Argenta Limited	2	24	24	31 Jul	Manufacture and marketing of animal remedies
BCS Group Limited	4	40	40	30 Jun	Manufacturer of baggage handling systems
ING (NZ) Holdings Limited	201	50	49	31 Dec	Funds management and insurance
JMI Aerospace Limited	1	33	33	31 Mar	Airline maintenance and service provider
Total investment in jointly controlled entities	208				

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.

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39. CONTROLLED ENTITIES, ASSOCIATES AND INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	Consolidated/Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Share of assets and liabilities			
Investments	**82**	81	81
Other assets	**159**	156	160
Total assets	**241**	237	241
Life insurance policy liabilities	**12**	31	22
Other liabilities	**9**	10	11
Total liabilities	**21**	41	33
Net assets	**220**	196	208
Share of revenue, expenses and results			
Net underwriting result	**30**	26	49
Other revenue	**14**	14	29
Total revenue	**44**	40	78
Expenses	**34**	30	56
Profit before income tax	**10**	10	22
Income tax expense	**(2)**	-	-
Profit after tax	**12**	10	22
Share of commitments			
Lease commitments	**4**	2	4

There are no unrecognised losses in respect of any of the Banking Group's jointly controlled entities. The Banking Group's share of the contingent liabilities of its joint ventures are incurred jointly with other investors. There were no contingent liabilities as at 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil).

40. PARENT COMPANY AND ULTIMATE PARENT COMPANY

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

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

Securitisation

The Banking Group has not securitised any of its own assets. The Banking Group is involved in providing banking services to customers who securitise assets.

Funds management

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

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

Some funds under management are invested in products owned or securities issued by the Banking Group and are recorded as liabilities in the balance sheet. At 31 March 2008, $1,140 million of funds under management were invested in the Banking Group's own products or securities (31/03/2007 $1,020 million; 30/09/2007 $1,035 million).

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

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

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

	Consolidated		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Superannuation schemes	**-**	4	3
Bonus Bonds	**2,459**	2,420	2,488
Discretionary funds	**2,033**	1,865	2,045
Totals funds under management	**4,492**	4,289	4,536

On 1 October 2007, the Direct Broking Call Account was registered as a portfolio investment entity (PIE).

On 25 March 2008, the UDC Superbonds Superannuation Scheme managed by UDC Finance Limited was wound up.

On 1 April 2008, the National Bank Call Fund, Private Banking Portfolio Call Fund and National Bank Private Banking Call Fund, all managed by ANZ Investments Services (New Zealand) Limited, commenced as PIEs. The funds invest in call deposits with the Bank.

On 9 April 2008, the Term Maximiser Fund and Call Maximiser Fund managed by UDC Finance Limited commenced as PIEs. The funds invest in secured debentures with UDC Finance Limited.

Custodial services

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

Marketing and distribution of insurance products

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

Insurance business

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

Provision of financial services

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

The Banking Group has not provided any funding to entities which conduct any of the following activities: trust, custodial, funds management or other fiduciary activities established, marketed and/or sponsored by a member of the Banking Group; origination of securitised assets; marketing or servicing of securitisation schemes; marketing and distribution of insurance products during the quarter ended 31 March 2008 (31/03/2007 $nil; 30/09/2007 $nil).

Risk management

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

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

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

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

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

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

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

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

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

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

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42. COMMITMENTS

	Consolidated			Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m	**Unaudited 31/03/2008 $m**	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Capital expenditure						
Contracts for outstanding capital expenditure:						
Premises and equipment						
Not later than 1 year	**20**	16	15	**-**	-	1
Total capital expenditure commitments	**20**	16	15	**-**	-	1
Lease rentals						
Future minimum lease payments under non-cancellable operating leases:						
Premises and equipment						
Not later than 1 year	**83**	84	85	**18**	22	20
Later than 1 year but not later than 5 years	**164**	162	163	**25**	37	28
Later than 5 years	**27**	29	32	**-**	-	-
Total lease rental commitments	**274**	275	280	**43**	59	48
Total commitments	**294**	291	295	**43**	59	49

43. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS

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

	Face or contract value		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
Credit related commitments			
Consolidated			
Commitments with certain drawdown due within one year	**1,385**	2,375	1,074
Commitments to provide financial services	**24,580**	20,102	20,751
Total credit related commitments	**25,965**	22,477	21,825
Parent			
Commitments with certain drawdown due within one year	**1,385**	2,375	1,074
Commitments to provide financial services	**24,361**	19,897	20,483
Total credit related commitments	**25,746**	22,272	21,557
Contingent liabilities			
Consolidated			
Financial guarantees	**2,107**	1,815	1,933
Standby letters of credit	**380**	362	528
Transaction related contingent items	**567**	371	398
Trade related contingent liabilities	**315**	150	123
Total contingent liabilities	**3,369**	2,698	2,982
Parent			
Financial guarantees	**2,107**	1,815	1,933
Standby letters of credit	**380**	362	528
Transaction related contingent items	**567**	371	398
Trade related contingent liabilities	**310**	148	119
Total contingent liabilities	**3,364**	2,696	2,978

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43. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS (CONTINUED)

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

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

Contingent tax liability

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

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

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

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

The tax adjustments proposed so far by the IRD cover the 2000 to 2005 tax years and imply a maximum potential liability of $224 million ($332 million with interest tax effected).

The IRD is also investigating other transactions undertaken by the Banking Group, which have been subject to the same tax treatment. Should the same position be taken by the IRD for all years on all these transactions, including those that the Notices cover, the maximum potential liability would be approximately $365 million ($523 million with interest tax effected) as at 31 March 2008.

Of the maximum potential tax liability in dispute, it has been estimated that approximately $99 million ($147 million with interest tax effected) is subject to indemnities given by Lloyds TSB Bank plc under the agreement by which the Bank acquired the NBNZ Holdings Limited Group, and which relate to transactions undertaken by NBNZ Group before December 2003.

This leaves a net potential tax liability as at 31 March 2008 of $266 million ($376 million with interest tax effected).

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

Commerce Commission

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

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

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

ING New Zealand Funds

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

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

Other contingent liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate. As at 31 March 2008, there were no other contingent assets or liabilities required to be disclosed (31/03/2007 nil; 30/09/2007 nil).

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44. EMPLOYEE SHARE AND OPTION PLANS

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

The closing market price of one ordinary share of ANZ quoted on the ASX (Australian Stock Exchange) at 31 March 2008 was A$22.55 (31/03/2007 A$29.70; 30/09/2007 A$29.70).

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 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 Banking Group's employees are required to pay NZ 1 cent per share at the time the shares are transferred to them. During the six months to 31 March 2008, 267,523 shares with an average issue price of A$27.96 were issued under the A$1,000 Share Plan (31/03/2007 269,025 shares with an average issue price of A$27.88 were issued; 30/09/2007 269,025 shares with an average issue price of A$27.88 were issued).

Deferred share plan

The 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 employees name. Until they are transferred into the employees name, they continue to be subject to forfeiture on termination for serious misconduct.

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 ANZ shares granted. The fair value of shares granted in the current period, measured at the date of grant of the shares, is NZ $8.5 million based on 267,523 shares at a weighted average price of A$27.96 converted at the exchange rate of 0.8809 (31/03/2007 NZ $9 million based on 269,025 shares at a weighted average price of A$27.88 converted at the exchange rate of 0.8391 were issued; 30/09/2007 NZ $9 million based on 269,025 shares at a weighted average price of A$27.88 converted at the exchange rate of 0.8391 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

Performance rights plan

This scheme is a long term incentive program available to certain Banking Group employees since November 2005 and grants the right to acquire ANZ 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.

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44. EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

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.

Deferred share rights

This scheme is a short term incentive program available to certain Banking Group employees since November 2004 and grants the right to acquire ANZ 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 performance rights.

Legacy Option Plans

Performance options plan

This scheme is a long term incentive program available to certain 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 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 Banking Group employees after November 2005.

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 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:

	Consolidated/Parent					
	31/03/2008		31/03/2007		30/09/2007	
	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	**1,616,716**	**13.93**	1,668,436	17.49	1,668,436	17.49
Share options granted	**354,082**	**-**	293,864	-	318,921	-
Share options exercised	**(99,489)**	**19.59**	(153,990)	17.38	(339,782)	17.53
Share options forfeited and expired	**(52,865)**	**15.92**	(15,801)	18.60	(30,859)	19.67
Share options at end of the period	**1,818,444**	**10.99**	1,792,509	14.57	1,616,716	13.93
Weighted average share price during the period		**26.02**		28.49		28.83
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		**43 months**		50 months		46 months

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

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44. EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

Options valuations

The fair value of services received in return for share options are measured by referring to the fair value of ANZ 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.

All options issued in 2008 were valued using the BOM pricing model.

The following inputs are used to measure the fair value of instruments granted during the period. For each instrument, the model used (a or b) is indicated. All prices are quoted in Australian dollars:

Option type	LTI deferred share rights (b)	STI deferred share rights (b)	Performance rights (b)
Grant date	9-Nov-2007	9-Nov-2007	30-Oct-2007
Number of Options	161,011	15,758	177,313
Option value	$24.49	$25.59	$12.30
Exercise price (5 day VWAP)	$nil	$nil	$nil
Share price at grant	$27.95	$27.95	$29.69
ANZ expected volatility[2]	15%	15%	15%
Option term	5 years	5 years	5 years
Vesting period	3 years	2 years	3 years
Expected life	3 years	2 years	4 years
Expected dividends	4.50%	4.50%	4.50%
Risk free interest rate	6.69%	6.77%	6.63%

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

45. RETIREMENT BENEFIT OBLIGATIONS

The Banking Group has established a number of pension and superannuation schemes. The 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 trust deeds. The major schemes are:

Scheme	Scheme type	Contribution levels Employee	Contribution levels 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	11.2% 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. 31/03/2008: $nil (31/03/2007 $nil; 30/09/2007 $nil).
5. 31/03/2008: 22.3% (31/03/2007 22.3%; 30/09/2007 22.3%) of members' salaries.
6. 31/03/2008: 7.5% (31/03/2007 7.5%; 30/09/2007 7.5%) of members' salaries.
7. 31/03/2008: 11.2% (31/03/2007 11.2%; 30/09/2007 11.2%) of members' salaries.

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45. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Details of the defined benefit schemes are as follows:

Actuarial valuations are undertaken every six months. The latest valuations were carried out as at 31 March 2008.

	Consolidated/Parent		
	Unaudited 31/03/2008 $m	Unaudited 31/03/2007 $m	Audited 30/09/2007 $m
The amounts recognised in the balance sheet arising from the Banking Group's obligation in respect of its defined benefit schemes are determined as follows:			
Defined benefit obligation at beginning of the period	**181**	190	190
Current service cost	**2**	2	4
Interest cost	**6**	6	12
Contributions by scheme participants	**-**	1	1
Actuarial (gains) losses	**(5)**	3	(10)
Benefits paid	**(7)**	(7)	(16)
Present value of funded defined benefit obligations	**177**	195	181
Fair value of scheme assets at beginning of the period	**189**	196	196
Expected return on scheme assets (net of tax)	**5**	5	11
Actuarial (losses) gains	**(17)**	12	(7)
Contributions by employer	**2**	2	4
Contributions by scheme participants	**-**	1	1
Benefits paid	**(7)**	(7)	(16)
Fair value of scheme assets	**172**	209	189
Net defined benefit (liability) asset recognised on balance sheet	**(5)**	14	8

The fair value of scheme assets include cash deposits and fixed interest investments of $2 million with the Banking Group as at 31 March 2008 (31/03/2007 $5 million; 30/09/2007 $7 million).

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:			
Current service cost	**2**	2	4
Interest cost	**6**	6	12
Expected return on scheme assets (net of tax)	**(5)**	(5)	(11)
Contribution withholding tax	**-**	-	1
Total pension costs recognised in the income statement - defined benefit superannuation schemes	**3**	3	6

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

Actuarial gains (pre-tax) at beginning of the period	**7**	4	4
Actuarial (loss) gain (pre-tax) incurred during the period	**(12)**	9	3
Balance of actuarial (losses) gains (pre-tax) at end of the period	**(5)**	13	7
Income tax credit (expense) recognised directly in equity	**2**	(4)	(2)
Balance of actuarial (losses) gains at end of the period	**(3)**	9	5

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45. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions used were as follows:

	The National Bank Staff Superannuation Fund			ANZ National Bank Staff Superannuation Scheme		
	Unaudited 31/03/2008	Unaudited 31/03/2007	Audited 30/09/2007	**Unaudited 31/03/2008**	Unaudited 31/03/2007	Audited 30/09/2007
Defined benefits calculation						
Discount rate (gross of tax)	**6.4%**	6.0%	6.5%	**6.4%**	6.0%	6.5%
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	**3.7%**	3.0%	3.7%	**n/a**	n/a	n/a
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 -6.0% for the six months ended 31 March 2008 (31/03/2007 4.2%; 30/09/2007 6.5%). The actual return on scheme assets (net of tax) for the ANZ National Bank Staff Superannuation Scheme was -5.0% for the six months ended 31 March 2008 (31/03/2007 2.6%; 30/09/2007 6.1%).

The investment return on scheme assets is taxed at 33% (31/03/2007 33%; 30/09/2007 33%).

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 31/03/2008	Unaudited 31/03/2007	Audited 30/09/2007	**Unaudited 31/03/2008**	Unaudited 31/03/2007	Audited 30/09/2007
Cash and short term debt instruments	**16.3%**	15.0%	15.7%	**14.0%**	18.0%	13.2%
New Zealand fixed interest	**22.1%**	22.0%	22.2%	**22.9%**	18.0%	23.1%
Overseas fixed interest	**16.6%**	16.0%	16.5%	**23.1%**	23.0%	23.3%
New Zealand equities	**8.8%**	12.0%	8.9%	**7.5%**	7.0%	7.1%
Overseas equities	**36.2%**	35.0%	36.7%	**26.7%**	28.0%	28.0%
Property	**0.0%**	0.0%	0.0%	**5.8%**	6.0%	5.3%
	100.0%	100.0%	100.0%	**100.0%**	100.0%	100.0%

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

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:

	Consolidated/Parent			
	Unaudited 31/03/2008 $m	Audited 30/09/2007 $m	Audited 30/09/2006 $m	Audited 30/09/2005 $m
Defined benefit obligation	**(177)**	(181)	(190)	(187)
Fair value of scheme assets	**172**	189	196	195
Net benefit asset	**(5)**	8	6	8
Experience adjustments on scheme liabilities	**(4)**	(1)	3	-
Experience adjustment on scheme assets	**(17)**	(7)	5	11

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45. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 funding methods and current contribution rates of the individual schemes are determined in accordance with NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans ('NZ IAS 26') for annual periods beginning on or after 1 January 2007.

The National Bank Staff Superannuation Fund deficit was valued at $5.5 million in the most recent actuarial valuation at 1 April 2007 determined in accordance with FRS-32: Financial Reporting by Superannuation Schemes ('FRS-32'). The ANZ National Bank Staff Superannuation Scheme surplus was valued at $0.2 million in the most recent actuarial valuation at 31 December 2004 determined in accordance with FRS-32. The valuations for the annual periods beginning on or after 1 January 2007 are currently being completed in accordance with NZ IAS 26.

The Banking Group expects to contribute $4 million (net of contributions withholding tax) to its defined benefit schemes in the period to 31 September 2008 (30/09/2007 $4 million). Employer contributions are taxed at a rate of 33% (31/03/2007 33%; 30/09/2007 33%).

Contingent liabilities

The National Bank Staff Superannuation Fund

The Banking Group has no present liability under the Fund's Trust Deed to fund the deficit, but it does have a contingent liability if the Fund was wound up. Under the Fund's Trust Deed, if this scheme were wound up, the Banking Group is 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 Banking Group must pay to the Scheme such amounts as the Scheme Actuary determines are necessary to pay those benefits.

46. RELATED PARTY TRANSACTIONS

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $'000	Unaudited 6 months to 31/03/2007 $'000	Audited Year to 30/09/2007 $'000	**Unaudited 6 months to 31/03/2008 $'000**	Unaudited 6 months to 31/03/2007 $'000	Audited Year to 30/09/2007 $'000
Key management personnel						
Key management personnel compensation						
Salaries and short-term employee benefits	**5,584**	4,941	10,407	**5,355**	4,701	9,929
Post-employment benefits	**180**	168	315	**175**	166	315
Other long-term benefits	**96**	82	106	**76**	64	87
Termination benefits	**-**	-	-	**-**	-	-
Share-based payments	**1,409**	1,050	2,144	**1,393**	1,038	2,124
Total compensation of key management personnel	**7,269**	6,241	12,972	**6,999**	5,969	12,455
Loans to key management personnel	**6,362**	8,279	6,202	**6,362**	8,279	6,202
Deposits from key management personnel	**5,355**	3,699	2,666	**5,343**	3,692	2,649

Loans made to and deposits held by key management personnel (including personally related parties) 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 Bank's lending policies. No provision for credit impairment has been recognised for loans made to key management personnel (31/03/2007 $nil; 30/09/2007 $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.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors (whether executive or otherwise).

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46. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with the Parent Company, Ultimate Parent Company and subsidiaries

Details of amounts provided by/to the Parent Company, Ultimate Parent Company and subsidiaries of the 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 2008 (31/03/2007 $nil; 30/09/2007 $nil).

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
Interest income						
- Subsidiary companies	**-**	-	-	**25**	29	84
- Parent Company	**-**	7	13	**-**	7	13
- Ultimate Parent Company	**-**	2	4	**-**	2	4
Interest expense						
- Subsidiary companies	**-**	-	-	**1,315**	974	2,210
- Parent Company	**90**	100	211	**90**	100	211
- Ultimate Parent Company	**109**	89	202	**38**	27	57
Operating expenses						
- Subsidiary companies	**-**	-	-	**51**	47	96
- Ultimate Parent Company	**39**	34	71	**39**	34	71

Transactions with associates and joint venture entities

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

	Consolidated			Parent		
	Unaudited 6 months to 31/03/2008 $m	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m	**Unaudited 6 months to 31/03/2008 $m**	Unaudited 6 months to 31/03/2007 $m	Audited Year to 30/09/2007 $m
Amounts receivable						
- associates	**188**	25	14	**-**	18	-
- joint venture entities	**49**	29	56	**2**	11	14
Amounts payable						
- associates	**87**	-	-	**87**	-	-
Interest income						
- associates	**2**	-	1	**-**	-	-
- joint venture entities	**2**	5	8	**1**	3	4
Commission received from ING NZ joint venture	**12**	10	23	**12**	10	23
Costs recovered from ING NZ joint venture	**1**	1	1	**1**	1	1

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

The Banking Group provided registry services to the ING NZ joint venture in connection with the business of ING Managed Funds (NZ) Limited until 31 December 2006. The Banking Group provided payroll, tax accounting and compliance services, and premises in connection with and for the purpose of ING Insurance Services (NZ) Limited and ING Managed Funds (NZ) Limited. All provision of these services ceased from 5 March 2007.

A provision for credit impairment of $6 million is recognised for amounts outstanding from associates as at 31 March 2008 (31/03/2007 $9million; 30/09/2007 $7 million). A credit impairment loss of $1 million was recovered during the six months ended 31 March 2008 (31/03/2007 $nil; 30/09/2007 $1 million charged).

47. SUBSEQUENT EVENTS

On 18 April 2008, ANZ National Bank Limited issued perpetual callable subordinated bonds of NZD 835 million. Interest is payable half yearly 18 April and 18 October. The Bank may elect to repay the bonds on 18 April 2013 or 18 April 2018, and on any interest payment date subsequent to 18 April 2008.

DIRECTORATE AND AUDITORS

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DIRECTORATE AND AUDITORS

The address to which any document or communication may be sent to any Director is ANZ National Bank Limited, Level 14, 215-229 Lambton Quay, PO Box 1492, Wellington, New Zealand. The document or communication should be marked for the attention of that Director.

Directors' Interests

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the following procedures are adopted:

a) At least once in each year, Directors are requested to complete, in terms of section 140(1) of the Companies Act 1993, a disclosure of any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.

b) Directors are also requested to make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993. In addition, they are requested to initiate a review of that disclosure if there are any significant alterations which occur subsequently during the period.

In addition to the written disclosures referred to in paragraphs (a) and (b) above, Directors disclose relevant interests which they have before discussion of particular business items.

The Companies Act 1993 (subject to any different provision in the Bank's Constitution) allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. The Bank's Constitution does not alter that situation. However, the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

Transactions with Directors

No Director has disclosed that he or any immediate relative or professional associate has any dealing with the 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 Director's duties as a Director of the Bank.

Changes in Directorships

There have been no changes to the Bank's Board of Directors since the authorisation date of the previous Disclosure Statement on 14 February 2008.

BOARD MEMBERS AS AT 19 JUNE 2008

Independent Non-Executive Director, Chairman

Sir Dryden Spring
DSc
Company Director
Matamata, New Zealand

Directorships

Director: Sky City Entertainment Group Limited, Port of Tauranga Limited, Fletcher Building Limited, Fletcher Building Finance Limited, Northport Limited

Executive Director

Graham Kennedy Hodges
BEc (Hons)
Chief Executive
ANZ National Bank Limited
Wellington, New Zealand

Directorships

Director: ANZ Holdings (New Zealand) Limited, Banking Ombudsman Scheme Limited

DIRECTORATE AND AUDITORS
(CONTINUED)

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Non-Executive Directors

Dr Robert John Edgar
Ph.D, BEc (Hons)
Senior Managing Director
Australia and New Zealand Banking Group Limited
Melbourne, Australia

Directorships

Chairman: Esanda Finance Corporation Limited, ING Australia Limited

Director: ANZ Insage Pty Limited, ANZ Royal Bank (Cambodia) Limited, ANZ Specialist Asset Management Limited, Tianjin City Commercial Bank, AMMB Holdings Berhad, ANZ Business Equity Fund Limited (Alternate Director)

Michael Roger Pearson Smith, OBE
BSc (Hons)
Chief Executive Officer
Australia and New Zealand Banking Group Limited
Melbourne, Australia

Directorships

Director: Australia and New Zealand Banking Group Limited

Peter Ralph Marriott
BEc (Hons), FCA
Chief Financial Officer
Australia and New Zealand Banking Group Limited
Melbourne, Australia

Directorships

Director: ANZ Capital Hedging Pty Limited, ANZ (Delaware) Inc., ANZ Holdings (New Zealand) Limited, Esanda Finance Corporation Limited, ANZEST Pty Limited, ANZ Funds Pty Limited, ANZ Investment Holdings Pty Limited, ANZ Investments Pty Limited, LFD Limited, ANZ Orchard Investments Pty Limited, RFDL Pty Limited, Ballimore Pty Limited, ANZ GPSC No.1 Pty Limited, NZ GPSC No.2 Pty Limited, NZ GPSC No.3 Pty Limited, NZ GPSC No.4 Pty Limited

Independent Non-Executive Directors

Norman Michael Thomas Geary, CBE
B Com, FACA, FNZIM, FCIT
Company Director
Auckland, New Zealand

Directorships

Director: Fisher & Paykel Appliances Holdings Limited, Otago Innovation Limited, DB Breweries Limited

Dr Donald Thomas Brash
MA Econ
Company Director
Auckland, New Zealand

Directorships

Director: Brash Forestry Limited, Eljeans Orchard Limited, Brash Family Trust Nominees Limited, Huljich Limited, Huljich (New Zealand) Limited, Huljich Wealth Management (New Zealand) Limited, Brash Consultancy Services Limited, Ocean Group Holdings Limited, Ocean Partners Limited

Audit Committee Members as at 19 June 2008

N M T Geary (Chairman)
Independent Non-Executive Director

Sir Dryden Spring
Independent Non-Executive Director

Dr D T Brash
Independent Non-Executive Director

P R Marriott
Non-Executive Director

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing and approving the published financial statements. The Audit Committee Charter provides that the membership of the Audit Committee shall be not less than three non-executive Directors. The quorum shall be not less than two non-executive Director members.

Auditors

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

CONDITIONS OF REGISTRATION

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Conditions of Registration, applicable as at 19 June 2008. These Conditions of Registration have applied from 31 March 2008.

The Bank's Conditions of Registration were revised on 31 March 2008 and 16 June 2008 in order to implement a new set of capital adequacy conditions for banks that have adopted the internal models based approach to capital adequacy and to correct the definition of the Parent Bank capital ratios respectively. The conditions that were amended were conditions 1, 1A, 1B, 1C and 4. This has resulted in changes to the Banking Group's capital adequacy disclosures (refer to Note 31 Capital Adequacy).

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

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

   (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than 8%;

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

   (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008 is not less than $15 million.

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

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

   (a) 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and

   (b) 12.5 times the greater of: zero; and 90% of adjusted Basel I capital, less adjusted Basel II capital; where

      (i) "adjusted Basel I capital" means 8% of total risk-weighted exposures, plus deductions from tier one capital, plus deductions from total capital, all calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008;

      (ii) "adjusted Basel II capital" means 8% of total Basel II risk-weighted exposures plus deductions from tier one capital, plus deductions from total capital, less any amount included in tier two capital arising from the excess of eligible allowances for impairment over EL (expected losses), all calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and

      (iii) "total Basel II risk-weighted exposures" means scalar x (risk-weighted on and off balance sheet credit exposures) + 12.5 x total capital charge for market risk exposure + 12.5 x total capital requirement for operational risk + 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008.

1A. That -

   (a) the Bank has an internal capital adequacy assessment process ("ICAAP"); that with effect from 31 August 2008 the Bank's ICAAP accords with the requirements set out in the document "Guidelines on a Bank's internal capital adequacy process ("ICAAP")" (BS12) dated December 2007;

   (b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital adequacy framework (internal models based approach)" (BS2B) dated March 2008; and

   (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

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

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

   The total capital ratio of the Bank is not less than 8 %.

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

   For the purposes of this condition of registration:

   - the total capital ratio is defined as capital as a percentage of risk-weighted exposures where capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008; and
   - the tier one capital ratio is defined as tier one capital as a percentage of risk-weighted exposures where tier one capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated March 2008.

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

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3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is 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 Banking Group's insurance business:
      (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
         - The total consolidated assets of the group headed by that entity;
         - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
      (b) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
      (c) the amounts measured in relation to parts a) and b) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in parts a) and b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
      (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

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

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

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

   For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled 'Connected exposures policy' (BS8) dated March 2008.
5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the board of the Bank contains at least two independent directors and that alternates for those directors, if any, are also independent. In this context an independent director (or alternate) is a director (or alternate) who is not an employee of the Bank, and who is not a director, trustee, or employee of any holding company (as that term is defined in section 5 of the Companies Act 1993) of the Bank, or any other entity capable of controlling or significantly influencing the Bank.
7. That the chairperson of the Bank's board is not an employee of the Bank.
8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).
9. That a substantial proportion of the Bank's business is conducted in and from New Zealand.
10. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the Bank unless:
    (i) The Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee, and
    (ii) The Reserve Bank has advised that it has no objection to that appointment.

CONDITIONS OF REGISTRATION
(CONTINUED)

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11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:

    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;

    (b) that the Bank's financial risk positions on a day can be identified on that day;

    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

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

    Until 30 June 2008, functions provided to the Bank by Electronic Transaction Services Limited and Interchange and Settlement Limited are not covered by this condition.

12. (a) That the business and affairs of the Bank are managed by, or under the direction and supervision of, the board of the Bank.

    (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the Bank.

    (c) That all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

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

CREDIT RATING INFORMATION

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Credit Ratings applicable as at 19 June 2008

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

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

The Standard & Poor's rating was issued on 22 February 2007. On this date Standard & Poor's revised the Bank's rating to AA from AA-. There have been no other changes in the credit rating issued in the past two years ended 31 March 2008. The rating is not subject to any qualifications.

The Moody's Investors Service was issued on 4 May 2007. On this date Moody's Investors Service revised the Bank's rating to Aa2 from Aa3. There have been no other changes in the credit rating issued in the past two years ended 31 March 2008. The rating is not subject to any qualifications.

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

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

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

DIRECTORS' STATEMENT

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DIRECTORS' STATEMENT

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

(i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008;

(ii) The Disclosure Statement is not false or misleading.

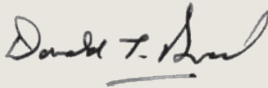
Over the six months ended 31 March 2008, after due enquiry, each Director believes that:

(i) ANZ National Bank Limited has complied with the Conditions of Registration;

(ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;

(iii) ANZ National Bank Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This General Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 19 June 2008. On that date, the Directors of the Bank were:

Dr D T Brash 

Dr R J Edgar

N M T Geary, CBE

G K Hodges

P R Marriott

M R P Smith, OBE

Sir Dryden Spring

INDEPENDENT REVIEW REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2008

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INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF ANZ NATIONAL BANK LIMITED

We have reviewed the interim financial statements on page 4 to 110 prepared and disclosed in accordance with Clause 23 of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of ANZ National Bank Limited (the 'Registered Bank') and its subsidiary companies (the 'Banking Group') and their financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 10 to 18.

DIRECTORS' RESPONSIBILITIES

The Directors of ANZ National Bank Limited are responsible for the preparation and presentation of interim financial statements in accordance with clause 23(2) of the Order which give a true and fair view of the financial position of the Registered Bank and Banking Group as at 31 March 2008 and their 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 true and fair view, in accordance with Clause 23 of the Order, of the matters to which it relates; and
- complies with Schedules 3 to 9 of the Order.

REVIEWERS' RESPONSIBILITIES

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Clause 23, Schedules 4 to 9, and Clause 17 of Schedule 3 of the Order and presented to us by the Directors.

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

In respect to the supplementary information we note Clause 3(b) of Schedule 1 of the Order refers to expressing a "true and fair view". "True and fair view" only has meaning in the context of the financial statements because of their prescribed basis of preparation, i.e. generally accepted accounting practice ("GAAP"). This supplementary information does not and is not intended to comply with GAAP. As a result, we are responsible for reviewing the supplementary information in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the supplementary information does not fairly state the matters to which it relates, and for reporting our findings to you.

BASIS OF REVIEW OPINION

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

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

REVIEW OPINION

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

(a) the interim financial statements (excluding the supplementary information included in Notes 31, 33, 34 and 41) do not present a true and fair view of the financial position of the Registered Bank and Banking Group as at 31 March 2008 and their financial performance and cash flows for the six months ended on that date;

(b) the supplementary information disclosed in Notes 33, 34 and 41 prescribed by Schedules 4 and 6 to 9 and Clauses 17 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 31 of the financial statements, as required by Schedule 5B of the Order, derived from the Registered Bank's financial statements and sources other than the Registered Banks' accounting records, is not in all material respects derived in accordance with the Bank's Conditions of Registration, with the Reserve Bank of New Zealand document Capital Adequacy Framework (Internal Models Based Approach) (BS2B), and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 5B of the Order.

Our review was completed on 19 June 2008 and our review opinion is expressed as at that date.

KPMG

Wellington

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