ANZ National Bank Limited
General Short Form Disclosure Statement

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 | NUMBER 60 ISSUED FEBRUARY 2011

General Short Form Disclosure Statement

For the three months ended 31 December 2010

Contents

Glossary of Terms

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

In this General Short Form Disclosure Statement unless the context otherwise requires:

a) "Bank" means ANZ National Bank Limited;

b) "Banking Group" means ANZ National Bank and all its controlled entities;

c) "Immediate Parent Company" means ANZ Holdings (New Zealand) Limited;

d) "NZ Branch" means the New Zealand branch office of Australia and New Zealand Banking Group Limited;

e) "ANZ New Zealand" means the combined New Zealand operations of Australia and New Zealand Banking Group Limited;

f) "Ultimate Parent Bank" means Australia and New Zealand Banking Group Limited;

g) "Overseas Banking Group" means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;

h) "RBNZ" means the Reserve Bank of New Zealand;

i) "APRA" means the Australian Prudential Regulation Authority; and

j) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

General Matters

The address for service for the Bank is Level 6, 1 Victoria Street, 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 Bank is wholly owned by its immediate parent company and ultimately by the Ultimate Parent Bank. The Immediate Parent Company of the Bank is incorporated in New Zealand and owned by ANZ Funds Pty Limited and the Ultimate Parent Bank (both incorporated in Australia). The address for service for the Ultimate Parent Bank is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

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 RBNZ confirms that it does not object to the appointment.

On 30 November 2009, the Banking Group purchased ING Groep's 51% interest in ING (NZ) Holdings Limited ("ING NZ"), which was the holding company for the ANZ-ING wealth management and life insurance joint venture in New Zealand. As a result of the change in ownership, the name of these businesses was changed to OnePath in November 2010.

Nature of Business

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

Material Financial Support

In accordance with the requirements issued by APRA pursuant to its Prudential Standards, the Ultimate Parent Bank may not provide material financial support to the Bank 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 some cases approval) is required before entering exceptionally large exposures;
    - 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; and
- the level of exposure to the Bank not exceeding:
    - 50% on an individual exposure basis; 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.

Pending Proceedings or Arbitration

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

Further details on pending proceedings or arbitration are set out in Note 21.

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 Short Form Disclosure Statement 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.

Credit Rating Information

Credit ratings are assigned to sovereigns and businesses by the international credit rating agencies. Credit ratings provide investors with an indication of the credit-worthiness of an entity in which they are considering investing. There are three major internationally recognised credit rating agencies: Standard & Poor's, Moody's Investors Service and Fitch Ratings.

As at 18 February 2011 the Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars. On 16 February 2011 Moody's placed the Bank's Aa2 long-term debt and deposit ratings on review for possible downgrade. This followed a similar action on the Ultimate Parent Bank and the other major Australian Banks. On 20 May 2010 Fitch changed the outlook on the Bank from Stable to Positive. During the two years ended 31 December 2010 there were no other changes to the Bank's credit ratings or qualifications.

The Bank's Credit Ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	**AA**	Outlook Stable
Moody's Investors Service	**Aa2**	Review for Possible Downgrade
Fitch Ratings	**AA-**	Outlook Positive

The following table describes the credit rating grades available:

	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**	**B**
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.

Guarantors

As at the date of this General Short Form Disclosure Statement the only material obligations of the Bank that are guaranteed are debt securities for which the Crown has issued a Guarantee Eligibility Certificate under the New Zealand Wholesale Funding Guarantee Facility ("Crown Wholesale Guarantee"), copies of which are available on the Treasury website treasury.govt.nz.

Crown Wholesale Guarantee

The Crown Wholesale Guarantee was provided under the Crown Wholesale Funding Guarantee Deed entered into by the Crown and the Bank on 23 December 2008 and supplemented on 19 February 2009 ("Wholesale Deed"). The Government closed the Crown Wholesale Guarantee to new debt securities on 30 April 2010. The closure did not affect debt securities previously issued with the benefit of the Crown Wholesale Guarantee.

If a Guarantee Eligibility Certificate was issued in respect of debt securities, the Crown (subject to any special conditions specified in a Guarantee Eligibility Certificate and provided the debt securities are not varied, amended, waived, released, novated, supplemented, extended or restated in any respect without the prior written consent of the Crown) has irrevocably:

a) guaranteed the payment by the Bank of any liability of the Bank to pay principal and interest (excluding any penalty interest or other amount only payable following a default) in respect of the debt securities; and
b) undertaken that if the Bank does not pay any such liability on the date on which it becomes due and payable, the Crown shall, within five Business Days of a demand being made in accordance with the Wholesale Deed and following the expiry of any applicable grace period, pay such liability.

The Crown Wholesale Guarantee does not extend to debt securities held by a Related Party (as defined in the Wholesale Deed) of the Bank.

In the event of a claim made on the Crown, the Crown will only pay the interest and principal due to the holders of debt securities on the originally scheduled dates for payment of interest and principal.

The Crown's obligations in respect of any debt security terminate on the date falling 30 days after the earlier of:

a) the scheduled maturity date for the debt security under which the guaranteed liability arises; and
b) the date falling five years after the date of issue of the debt security under which the guaranteed liability arises,

unless valid demand has been made on the Crown prior to that time.

Any demand on the Crown in respect of debt securities for which the Crown has issued a Guarantee Eligibility Certificate must be made in the prescribed form and delivered by hand to the Minister of Finance, Parliament Buildings, Wellington, New Zealand or to one of the other addresses specified in the Wholesale Deed.

Further information

Further information about the Crown Wholesale Guarantee, including a copy of the Wholesale Deed, and any Guarantee Eligibility Certificate issued by the Crown in respect of the Bank, is available on The Treasury website at treasury.govt.nz.

Further information about the Crown, including a copy of its most recent audited financial statements can be obtained at treasury.govt.nz.

The Crown's credit ratings are available on the New Zealand Debt Management Office website nzdmo.govt.nz. On 22 November 2010 Standard & Poor's revised the outlook on the Crown's long-term foreign currency credit rating from Stable to Negative. There have been no other changes to the Crown's long-term foreign-currency and domestic debt credit ratings in the two years immediately before the date of this General Short Form Disclosure Statement.

The Crown's foreign currency credit ratings are:

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

The Crown's domestic currency credit ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AAA	Outlook Stable
Moody's Investors Service	Aaa	Outlook Stable
Fitch Ratings	AAA	Outlook Negative

Supplemental Disclosure Statement

The most recent Supplemental Disclosure Statement for the three months ended 31 December 2010 is available at no charge:

a) on the Bank's websites anz.co.nz and nationalbank.co.nz;
b) immediately if request is made at the Bank's registered office, located at Level 6, 1 Victoria Street, Wellington, New Zealand; and
c) within five working days of a request, if a request is made at any branch of ANZ or The National Bank of New Zealand.

The Bank's most recent Supplemental Disclosure Statement contains a copy of the bilateral netting agreement with the Ultimate Parent Bank and a copy of the Crown Wholesale Guarantee.

Directorate

There have been no changes to directors since the authorisation date of the previous General Disclosure Statement on 22 November 2010.

Income Statement

$ millions	Note	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Interest income		**1,618**	1,411	5,876
Interest expense		**982**	836	3,457
Net interest income		**636**	575	2,419
Net trading gains		**40**	19	39
Funds management and insurance income		**56**	36	218
Other operating income		**83**	156	445
Share of profit of equity accounted associates and jointly controlled entities		**-**	36	42
Operating income		**815**	822	3,163
Operating expenses		**418**	374	1,565
Profit before provision for credit impairment		**397**	448	1,598
Provision for credit impairment	11	**29**	145	436
Profit before income tax		**368**	303	1,162
Income tax expense	3	**110**	60	335
Profit after income tax		**258**	243	827

Statement of Comprehensive Income

$ millions	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Profit after income tax	**258**	243	827
Available-for-sale revaluation reserve:			
Valuation gain / (loss) before tax	**(6)**	22	53
Cumulative loss / (gain) transferred to the income statement on sale of financial assets	**12**	-	(12)
Cash flow hedging reserve			
Valuation gain / (loss) before tax	**(39)**	4	89
Transferred to income statement	**2**	13	21
Other items recognised directly in equity			
Actuarial gain on defined benefit schemes	**-**	-	27
Income tax credit / (expense) on items recognised directly in equity	**7**	(5)	(48)
Net income / (expense) recognised directly in equity	**(24)**	34	130
Total comprehensive income for the period	**234**	277	957

Statement of Changes in Equity

$ millions	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Ordinary share capital			
Balance at beginning and end of period	**6,943**	6,943	6,943
Available-for-sale revaluation reserve			
Balance at beginning of the period	**58**	25	25
Valuation gain / (loss) recognised after tax	**(6)**	22	42
Transferred to income statement after tax	**8**	-	(9)
Balance at end of the period	**60**	47	58
Cash flow hedging reserve			
Balance at beginning of the period	**102**	23	23
Valuation gain / (loss) recognised after tax	**(27)**	3	64
Transferred to income statement after tax	**1**	9	15
Balance at end of the period	**76**	35	102
Total reserves	**136**	82	160
Retained earnings			
Balance at beginning of the period	**3,342**	3,097	3,097
Profit after income tax attributable to parent	**258**	243	827
Total available for appropriation	**3,600**	3,340	3,924
Actuarial gain on defined benefit schemes after tax	**-**	-	18
Dividend paid	**-**	-	(600)
Balance at end of the period	**3,600**	3,340	3,342
Non-controlling interests			
Balance at beginning of the period	**1**	-	-
Acquired in a business combination	**-**	1	1
Balance at end of the period	**1**	1	1
Total equity			
Balance at beginning of the period	**10,446**	10,088	10,088
Total comprehensive income for the period	**234**	277	957
Transactions with shareholders	**-**	-	(600)
Non-controlling interests	**-**	1	1
Balance at end of the period	**10,680**	10,366	10,446

Balance Sheet

$ millions	Note	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Assets				
Liquid assets	5	**2,168**	2,869	2,238
Due from other financial institutions	6	**2,722**	4,562	3,496
Trading securities	7	**7,395**	5,910	6,757
Derivative financial instruments		**8,939**	7,891	10,367
Available-for-sale assets	8	**1,773**	2,458	2,210
Net loans and advances	9	**85,298**	85,978	85,913
Investments relating to insurance business		**24**	40	28
Insurance policy assets		**149**	81	138
Due from Immediate Parent Company		**121**	-	6
Shares in associates and jointly controlled entities		**144**	148	144
Current tax assets		**53**	-	25
Other assets		**949**	895	965
Deferred tax assets		**220**	427	312
Premises and equipment		**316**	298	311
Goodwill and other intangible assets		**3,532**	3,546	3,548
Total assets		**113,803**	115,103	116,458
Liabilities				
Due to other financial institutions	12	**1,246**	1,678	1,819
Deposits and other borrowings	13	**69,959**	72,970	70,295
Due to Immediate Parent Company		**-**	388	-
Derivative financial instruments		**9,624**	8,787	10,715
Payables and other liabilities		**1,682**	1,844	1,700
Current tax liabilities		**-**	17	-
Provisions		**266**	375	315
Bonds and notes		**17,951**	16,073	18,761
Loan capital		**2,395**	2,605	2,407
Total liabilities		**103,123**	104,737	106,012
Net assets		**10,680**	10,366	10,446
Equity				
Ordinary share capital		**6,943**	6,943	6,943
Reserves		**136**	82	160
Retained earnings		**3,600**	3,340	3,342
Parent shareholder's equity		**10,679**	10,365	10,445
Non-controlling interest		**1**	1	1
Total equity		**10,680**	10,366	10,446

The notes to the financial statements form part of and should be read in conjunction with these financial statements

Cash Flow Statement

$ millions	Note	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Cash flows from operating activities				
Interest received		**1,576**	1,361	5,636
Dividends received		**-**	-	2
Net funds management & insurance income		**35**	36	137
Fees and other income received		**189**	276	771
Interest paid		**(869)**	(857)	(3,412)
Operating expenses paid		**(482)**	(375)	(1,476)
Income taxes paid		**(31)**	(368)	(629)
Cash flows from operating profits before changes in operating assets and liabilities		**418**	73	1,029
Net changes in operating assets and liabilities:				
Change in due from other financial institutions – term		**210**	1,795	1,967
Change in trading securities		**(652)**	(1,746)	(2,613)
Change in derivative financial instruments		**(287)**	1,717	1,571
Change in available-for-sale assets		**457**	(738)	(435)
Change in insurance investment assets		**14**	-	22
Change in loans and advances		**(377)**	243	(1,950)
Proceeds from sale of loans and advances to NZ Branch		**833**	1,740	3,494
Change in other assets		**3**	276	145
Change in due to other financial institutions		**(584)**	(2,120)	(1,963)
Change in deposits		**1,148**	(455)	(1,493)
Change in other borrowings		**(1,590)**	1,350	(417)
Change in payables and other liabilities		**(43)**	49	(103)
Net cash flows provided by / (used in) operating activities	19	**(450)**	2,184	(746)
Cash flows from investing activities				
Proceeds from sale of shares in associates and jointly controlled entities		**-**	1	7
Proceeds from sale of premises and equipment		**-**	1	1
Purchase of shares in subsidiary entities		**-**	(247)	(247)
Purchase of intangible assets		**(19)**	(2)	(43)
Purchase of premises and equipment		**(20)**	(32)	(80)
Net cash flows used in investing activities		**(39)**	(279)	(362)
Cash flows from financing activities				
Proceeds from bonds and notes		**2,782**	2,121	5,481
Redemptions of bonds and notes		**(1,392)**	(1,692)	(3,825)
Redemptions of loan capital		**(1)**	-	(200)
Change in funding to / from Immediate Parent Company		**(115)**	(542)	(936)
Dividends paid		**-**	-	(600)
Net cash flows provided by / (used in) financing activities		**1,274**	(113)	(80)
Net cash flows provided by / (used in) operating activities		**(450)**	2,184	(746)
Net cash flows used in investing activities		**(39)**	(279)	(362)
Net cash flows provided by / (used in) financing activities		**1,274**	(113)	(80)
Net increase / (decrease) in cash and cash equivalents		**785**	1,792	(1,188)
Cash and cash equivalents at beginning of the period		**3,577**	4,765	4,765
Cash and cash equivalents at end of the period	19	**4,362**	6,557	3,577

The notes to the financial statements form part of and should be read in conjunction with these financial statements

Notes to the Financial Statements

1. Significant Accounting Policies

i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of NZ IAS 34 *Interim Financial Reporting* and the Order. These financial statements should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2010.

ii) Basis of measurement

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

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

iii) Changes in accounting policies and application of new accounting statements

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the prior period.

iv) Presentation currency and rounding

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

v) Comparatives

Prior to 30 September 2010 some fee income integral to the effective interest rate of financial assets was presented in other operating income. Since this date this income has been classified to interest income, to more accurately reflect the nature of the income.

Comparative data has been restated accordingly. For the period ended 31 December 2009 this reclassification has for the Banking Group, increased interest income by $30 million and reduced other operating income by a corresponding amount. There was no impact on total operating income or profit after income tax.

Certain other amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

vi) Principles of consolidation

The financial statements consolidate the financial statements of the Bank and its controlled entities.

2. Risk Management Policies

There has been no material change to the Banking Group's policies for managing risk, or material exposures to new types of risk since the authorisation of the previous General Disclosure Statement on 22 November 2010.

Notes to the Financial Statements

3. Income Tax Expense

$ millions	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Income tax expense before change in tax provisions and the effect of changes in tax legislation	**109**	108	344
Changes in tax provisions	**-**	(48)	(54)
Effect of changes in tax legislation	**1**	-	45
Income tax expense	**110**	60	335
Effective tax rate (%) before change in tax provisions and the effect of changes in tax legislation	**29.6%**	35.6%	29.6%
Effective tax rate (%)	**29.9%**	19.8%	28.8%

4. Segmental Analysis

For segment reporting purposes, the Banking Group is organised into three major business segments – Retail, Commercial and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

During the three months ended 31 December 2010 a specialist standalone business banking unit was created within the Commercial segment, resulting in changes to internal financial reporting. Segmental information in this note has been updated to reflect the new structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

Retail

Retail provides banking products and services to individuals through separate ANZ and The National Bank of New Zealand branded distribution channels. Personal banking customers have access to a wide range of financial services and products. The Banking Group's wealth businesses include private banking and investment services provided to high net worth individuals, the OnePath wealth management and insurance businesses, and other investment products. This segment also includes other profit centres supporting the Retail Banking segment.

Commercial

Commercial provides services to Business Banking, Rural, Commercial and UDC customers. Business banking services are offered to small enterprises (typically with annual revenues of less than $5 million). Commercial customers consist of primarily privately owned medium to large enterprises. The Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Institutional

Institutional provides financial services to large multi-banked corporations, often global, who require sophisticated product and structuring solutions. The Institutional business unit includes the following specialised units:

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

Other

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

Notes to the Financial Statements

Business Segment Analysis[1]

$ millions	Retail[2]	Commercial	Institutional[3]	Other[3]	Total
Unaudited 3 months to 31/12/2010					
External revenues	**299**	**765**	**120**	**(369)**	**815**
Intersegment revenues	**13**	**(406)**	**30**	**363**	**-**
Total revenues	**312**	**359**	**150**	**(6)**	**815**
Profit before income tax	**86**	**204**	**114**	**(36)**	**368**
Unaudited 3 months to 31/12/2009					
External revenues	311	759	(24)	(224)	822
Intersegment revenues	(98)	(436)	195	339	-
Total revenues	213	323	171	115	822
Profit before income tax	(40)	87	141	115	303
Audited year to 30/09/2010					
External revenues	1,311	2,976	109	(1,233)	3,163
Intersegment revenues	(212)	(1,629)	491	1,350	-
Total revenues	1,099	1,347	600	117	3,163
Profit before income tax	86	510	495	71	1,162

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

[2] The comparative periods results include a loss on acquisition of ING NZ of $82 million.

[3] This segment has negative external revenues as this segment incurs funding costs on behalf of the Banking Group and is reimbursed internally.

5. Liquid Assets

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Cash and balances with central banks	**1,747**	2,424	1,829
Money at call	**324**	363	328
Bills receivable and remittances in transit	**97**	82	81
Total liquid assets	**2,168**	2,869	2,238

6. Due from Other Financial Institutions

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Able to be withdrawn without prior notice	**73**	164	457
Securities purchased under agreement to resell	**1,461**	339	346
Securities purchased under agreement to resell with central banks	**229**	-	-
Security settlements	**22**	128	1,535
Certificates of deposit	**937**	1,022	707
Reserve bank bills	**-**	100	-
Term loans and advances	**-**	2,809	451
Total due from other financial institutions	**2,722**	4,562	3,496

Notes to the Financial Statements

7. Trading Securities

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Government, local body stock and bonds	**4,314**	2,599	3,917
Certificates of deposit	**58**	587	32
Promissory notes	**73**	56	64
Other bank bonds	**2,869**	2,592	2,655
Other	**81**	76	89
Total trading securities	**7,395**	5,910	6,757
Assets encumbered through repurchase agreements included in trading securities	**99**	101	222

8. Available-for-Sale Assets

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Government, local body stock and bonds	**1,500**	2,159	1,939
Other debt securities	**202**	213	193
Equity securities	**71**	86	78
Total available-for-sale assets	**1,773**	2,458	2,210

9. Net Loans and Advances

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Overdrafts	**1,756**	1,954	2,131
Credit card outstandings	**1,435**	1,457	1,388
Term loans – housing	**43,580**	43,965	43,887
Term loans – non-housing	**39,224**	39,070	39,179
Finance lease receivables	**746**	690	726
Gross loans and advances	**86,741**	87,136	87,311
Provision for credit impairment (Note 11)	**(1,326)**	(1,356)	(1,398)
Unearned finance income	**(272)**	(258)	(273)
Fair value hedge adjustment	**173**	453	279
Deferred fee revenue and expenses	**(54)**	(54)	(49)
Capitalised brokerage/mortgage origination fees	**36**	57	43
Total net loans and advances	**85,298**	85,978	85,913

In 2009 the Bank sold $9,683 million of residential mortgages to the NZ Branch in two tranches. These existing tranches are regularly topped up with additional mortgages. Sales, repurchases and repayments have resulted in the NZ Branch holding mortgages with a carrying value of $10,336 million as at 31 December 2010 (31/12/2009 $9,586 million, 30/09/2010 $10,029 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets. Net loans and advances have decreased as a result of selling these assets.

Notes to the Financial Statements

10. Impaired Assets, Past Due Assets and Other Assets Under Administration

$ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 31/12/2010				
Individually impaired assets	**498**	**74**	**1,423**	**1,995**
Restructured items and other individually impaired assets	**11**	**-**	**-**	**11**
Past due assets (90 days past due assets)[1]	**160**	**43**	**116**	**319**
Other assets under administration	**-**	**-**	**11**	**11**
Undrawn facilities with impaired customers	**-**	**-**	**31**	**31**
Unaudited 31/12/2009				
Individually impaired assets	413	73	829	1,315
Restructured items	7	-	-	7
Past due assets (90 days past due assets)	215	57	106	378
Other assets under administration	1	-	8	9
Undrawn facilities with impaired customers	-	-	49	49
Audited 30/09/2010				
Individually impaired assets	511	81	1,403	1,995
Restructured items	9	-	-	9
Past due assets (90 days past due assets)	132	33	127	292
Other assets under administration	-	-	4	4
Undrawn facilities with impaired customers	-	-	32	32

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

Restructured assets

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

Assets acquired through enforcement of security

Assets acquired through enforcement of security are those assets which are legally owned by the Banking Group as a result of enforcing security, other than any buildings occupied by the Banking Group. The Banking Group held no material assets acquired through enforcement of security (31/12/2009 $nil; 30/09/2010 $nil).

Past due assets

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

Other assets under administration

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

Notes to the Financial Statements

11. Provision for Credit Impairment

$ millions	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 31/12/2010				
Collective provision				
Balance at beginning of the period	**111**	**149**	**533**	**793**
Charge / (credit) to income statement	**(8)**	**(5)**	**(42)**	**(55)**
Balance at end of the period	**103**	**144**	**491**	**738**
Individual provision (individually impaired assets)				
Balance at beginning of the period	**207**	**51**	**347**	**605**
Charge to income statement	**3**	**22**	**59**	**84**
Recoveries of amounts previously written off	**-**	**4**	**1**	**5**
Bad debts written off	**(18)**	**(27)**	**(42)**	**(87)**
Discount unwind[1]	**(5)**	**-**	**(14)**	**(19)**
Balance at end of the period	**187**	**50**	**351**	**588**
Total provision for credit impairment	**290**	**194**	**842**	**1,326**
Unaudited 31/12/2009				
Collective provision				
Balance at beginning of the period	121	159	518	798
Charge to income statement	(7)	(1)	4	(4)
Balance at end of the period	114	158	522	794
Individual provision (individually impaired assets)				
Balance at beginning of the period	153	40	281	474
Charge to income statement	56	28	65	149
Recoveries of amounts previously written off	1	4	-	5
Bad debts written off	(14)	(31)	(11)	(56)
Discount unwind[1]	(3)	(1)	(6)	(10)
Balance at end of the period	193	40	329	562
Total provision for credit impairment	307	198	851	1,356
Audited 30/09/2010				
Collective provision				
Balance at beginning of the year	121	159	518	798
Charge to income statement	(10)	(10)	15	(5)
Balance at end of the year	111	149	533	793
Individual provision (individually impaired assets)				
Balance at beginning of the year	153	40	281	474
Charge to income statement	125	120	196	441
Recoveries of amounts previously written off	2	17	2	21
Bad debts written off	(57)	(123)	(92)	(272)
Discount unwind[1]	(16)	(3)	(40)	(59)
Balance at end of the year	207	51	347	605
Total provision for credit impairment	318	200	880	1,398

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

Notes to the Financial Statements

Provision movement analysis **$ millions**	Retail mortgages	Other retail exposures	Corporate exposures	Total
Unaudited 31/12/2010				
New and increased provisions	**40**	**31**	**85**	**156**
Provision releases	**(37)**	**(5)**	**(25)**	**(67)**
	3	**26**	**60**	**89**
Recoveries of amounts previously written off	**-**	**(4)**	**(1)**	**(5)**
Individual provision charge	**3**	**22**	**59**	**84**
Collective provision charge / (credit)	**(8)**	**(5)**	**(42)**	**(55)**
Total charge to income statement	**(5)**	**17**	**17**	**29**
Unaudited 31/12/2009				
New and increased provisions	63	32	93	188
Provision releases	(6)	-	(28)	(34)
	57	32	65	154
Recoveries of amounts previously written off	(1)	(4)	-	(5)
Individual provision charge	56	28	65	149
Collective provision charge	(7)	(1)	4	(4)
Total charge to income statement	49	27	69	145
Audited 30/09/2010				
New and increased provisions	187	160	337	684
Provision releases	(60)	(23)	(139)	(222)
	127	137	198	462
Recoveries of amounts previously written off	(2)	(17)	(2)	(21)
Individual provision charge	125	120	196	441
Collective provision charge	(10)	(10)	15	(5)
Total charge to income statement	115	110	211	436

12. Due to Other Financial Institutions

$ millions	**Unaudited 31/12/2010**	Unaudited 31/12/2009	Audited 30/09/2010
Due to other financial institutions	**1,147**	1,377	1,597
Securities sold under agreements to repurchase from other financial institutions	**99**	101	222
Securities sold under agreements to repurchase from central banks[1]	**-**	200	-
Total due to other financial institutions	**1,246**	1,678	1,819

[1] As at 31 December 2010 the Banking Group had entered into no repurchase agreements for residential mortgage-backed securities with the RBNZ (31/12/2009 $200 million; 30/09/2010 $nil). Therefore no underlying collateral had been accepted by the RBNZ in relation to repurchase agreements (31/12/2009 residential mortgages to the value of $246 million were held by RBNZ as collateral; 30/09/2010 $nil).

Notes to the Financial Statements

13. Deposits and Other Borrowings

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Amortised cost			
Certificates of deposit	**1,843**	3,028	3,245
Term deposits	**36,147**	34,232	34,687
Demand deposits bearing interest	**19,031**	20,482	18,714
Deposits not bearing interest	**5,539**	4,821	4,964
Secured debenture stock	**1,602**	1,383	1,378
Total deposits and other borrowings recognised at amortised cost	**64,162**	63,946	62,988
Fair value through profit or loss			
Commercial paper	**5,797**	9,024	7,307
Total deposits and other borrowings recognised at fair value	**5,797**	9,024	7,307
Total deposits and other borrowings	**69,959**	72,970	70,295
Secured debenture stock is secured over:			
Carrying value of total tangible assets of UDC Finance Limited	**2,162**	1,912	2,111

14. Related Party Transactions

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Balances with related parties			
Due from other financial institutions			
Due from Ultimate Parent Bank and subsidiaries not part of ANZ New Zealand	**640**	3,150	1,507
Derivative financial assets			
Due from related entities	**2,063**	1,459	2,060
Net loans and advances			
Due from associates	**145**	161	151
Due from joint ventures	**30**	37	36
Due from Immediate Parent Company	**121**	-	6
Shares in controlled entities, associates and joint ventures	**144**	148	144
Other assets			
Due from Ultimate Parent Bank	**55**	32	37
Total due from related parties	**3,198**	4,987	3,941
Due to other financial institutions			
Due to Ultimate Parent Bank	**19**	492	8
Deposits and other borrowings			
Due to associates	**85**	85	85
Due to Immediate Parent Company	**-**	388	-
Derivative financial liabilities			
Due to related entities	**2,657**	2,043	2,646
Payables and other liabilities			
Due to NZ Branch	**351**	356	302
Due to Ultimate Parent Bank	**55**	29	38
Bonds and notes			
Due to subsidiaries of the Ultimate Parent Bank not part of ANZ New Zealand	**2,260**	2,221	3,605
Loan capital			
Due to Ultimate Parent Bank	**619**	821	630
Total due to related parties	**6,046**	6,435	7,314

Balances due from / to related parties are unsecured other than that the Banking Group and the Bank have provided guarantees and commitments to related parties as follows:

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Financial guarantees provided to the Ultimate Parent Bank	**1,361**	1,694	1,660

Notes to the Financial Statements

15. Interest Earning and Discount Bearing Assets and Liabilities

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Interest earning and discount bearing assets	**98,435**	101,038	98,250
Interest and discount bearing liabilities	**86,027**	88,832	86,956

16. Capital Adequacy

Capital ratios of the Banking Group under the Basel II internal models based approach (Unaudited)

	31/12/2010	31/12/2009	30/09/2010
Tier One Capital	**10.05%**	9.62%	9.68%
RBNZ minimum Tier One Capital ratio	**4.00%**	4.00%	4.00%
Total Capital	**13.43%**	13.31%	13.11%
RBNZ minimum Total Capital ratio	**8.00%**	8.00%	8.00%

Capital as at 31 December 2010 (Unaudited)	**$m**
Tier One Capital	
Ordinary share capital	**6,943**
Revenue and similar reserves	**3,478**
Current year's profit after tax	**258**
Non-controlling interests	**1**
Less deductions from Tier One Capital	
Goodwill	**3,265**
Software and other intangible assets	**267**
Future income tax benefits	**65**
Cash flow hedging reserve	**76**
50% of expected loss to the extent higher than total eligible allowances for impairment	**56**
Total Tier One Capital	**6,951**
Tier Two Capital – Upper Level	
Perpetual subordinated debt	**1,173**
Tier Two Capital – Lower Level	
Term subordinated debt	**1,222**
Less deductions from Tier Two Capital	
50% of expected loss to the extent higher than total eligible allowances for impairment	**56**
Total Tier Two Capital	**2,339**
Total Capital	**9,290**

Total required capital as at 31 December 2010 (Unaudited)

$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[2]	Total capital requirement
Exposures subject to internal ratings based approach	**118,683**	**49,171**	**3,935**
Specialised lending exposures subject to slotting approach	**7,410**	**7,067**	**566**
Exposures subject to standardised approach	**333**	**319**	**25**
Equity exposures	**218**	**924**	**74**
Other exposures	**2,486**	**784**	**63**
Total credit risk	**129,130**	**58,265**	**4,663**
Operational risk	**n/a**	**5,178**	**414**
Market risk	**n/a**	**4,161**	**333**
Supervisory adjustment[1]	**n/a**	**1,594**	**128**
Total capital requirement	**129,130**	**69,198**	**5,538**

[1] 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 as at 31 December 2010.

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

Notes to the Financial Statements

Capital adequacy ratios under the Basel I approach (Unaudited)

	Banking Group			Bank		
	31/12/2010	31/12/2009	30/09/2010	**31/12/2010**	31/12/2009	30/09/2010
Tier One Capital	**9.42%**	9.06%	9.01%	**9.65%**	8.96%	9.20%
Total Capital	**12.64%**	12.55%	12.24%	**12.00%**	12.37%	11.46%
Total risk-weighted exposures ($million)	**74,391**	74,627	74,455	**72,224**	73,021	72,487
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 has been derived in accordance with the RBNZ document entitled 'Capital Adequacy Framework (Basel I Approach)' ("BS2"), dated October 2010.

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 BS2B.

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

Probability of Default ("PD") – an estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring. For retail mortgage exposures the Banking Group is required to use the RBNZ prescribed exposure weighted minimum PD of 1.25%;

Exposure at Default ("EAD") – the expected facility exposure at default. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration; and

Loss Given Default ("LGD") – an estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For retail mortgage exposures the Bank is required to apply the downturn LGDs according to loan to value ("LVR") bands as set out in BS2B. For rural banking exposures the Banking Group is required to adopt RBNZ prescribed downturn LGDs which are more conservative than internal estimates.

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

The exceptions to IRB treatment are five minor portfolios where, due to systems constraints or other reasons, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document entitled 'Capital Adequacy Framework (Standardised Approach)' ("BS2A"), dated October 2010.

Notes to the Financial Statements

Capital requirements by asset class under the IRB approach

As at 31/12/2010 (Unaudited)	Total exposure or principal amount $m	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures						
Corporate	34,871	34,362	36	65	23,824	1,906
Sovereign	8,093	7,874	5	1	68	6
Bank	4,069	3,213	57	15	511	41
Retail mortgages	40,752	40,752	21	24	10,205	816
Other retail	4,482	4,482	60	79	3,738	299
Total on-balance sheet exposures	92,267	90,683	28	40	38,346	3,068
Off-balance sheet exposures						
Corporate	13,003	10,155	47	48	5,122	410
Sovereign	57	57	5	-	-	-
Bank	997	859	40	13	119	9
Retail mortgages	5,332	4,992	18	20	1,057	86
Other retail	4,565	4,603	75	50	2,460	197
Total off-balance sheet exposures	23,954	20,666	46	40	8,758	702
Market related contracts						
Corporate	60,750	1,835	57	50	977	78
Sovereign	11,061	462	5	1	5	-
Bank	582,553	5,037	65	20	1,085	87
Total market related contracts	654,364	7,334	59	27	2,067	165
Total credit risk exposures subject to the IRB approach	770,585	118,683	33	39	49,171	3,935

Notes to the Financial Statements

IRB exposures by customer credit rating

As at 31/12/2010 (Unaudited)	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure[2] $m	Total capital requirement $m
Corporate						
0 - 2	0.05%	5,268	61	24	1,337	107
3 - 4	0.35%	18,586	36	34	6,716	537
5	1.00%	10,303	36	59	6,400	512
6	2.29%	5,988	37	79	5,022	402
7 - 8	7.16%	4,763	40	117	5,903	472
Default	100.00%	1,444	47	297	4,545	364
Total corporate exposures	4.52%	46,352	40	61	29,923	2,394
Sovereign						
0	0.01%	8,393	5	1	73	6
Total sovereign exposures	0.01%	8,393	5	1	73	6
Bank						
0	0.01%	5,676	65	18	1,054	84
1	0.02%	2,977	49	16	501	40
2 - 4	0.09%	432	58	30	139	11
5 - 6	1.10%	18	65	109	20	2
7 - 8	6.54%	1	65	216	1	-
Default	100.00%	5	65	-	-	-
Total bank exposures	0.07%	9,109	59	18	1,715	137
Retail mortgages						
0 - 3	0.19%	17,932	20	8	1,451	116
4	0.45%	9,009	20	14	1,358	109
5	0.95%	12,336	21	25	3,320	266
6	2.38%	3,176	22	47	1,594	128
7 - 8	11.98%	2,454	23	105	2,739	219
Default	100.00%	837	32	90	800	64
Total residential mortgages exposures	3.06%	45,744	21	23	11,262	902
Other retail						
0 - 2	0.09%	21	76	18	4	-
3 - 4	0.30%	4,216	72	36	1,587	127
5	1.11%	1,946	66	68	1,411	113
6	2.63%	1,607	59	80	1,358	109
7 - 8	11.27%	1,126	68	118	1,413	113
Default	100.00%	169	62	237	425	34
Total other retail exposures	4.10%	9,085	68	64	6,198	496

Credit risk exposures subject to the IRB approach have been derived in accordance with BS2B and other relevant correspondence with RBNZ setting out prescribed credit risk estimates.

Notes to the Financial Statements

Specialised lending subject to the slotting approach

As at 31/12/2010 (Unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	1,861	70	1,381	110
Good	3,180	90	3,034	243
Satisfactory	1,154	115	1,407	113
Weak	265	250	703	56
Default	375	-	-	-
Total on-balance sheet exposures	6,835	90	6,525	522

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	572	488	89	459	37
Market related contracts	1,876	87	90	83	7
Total off-balance sheet exposures	2,448	575	89	542	44

Specialised lending exposures subject to the slotting approach have been calculated in accordance with BS2B.

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

Credit risk exposures subject to the standardised approach

As at 31/12/2010 (Unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	154	100	163	13
Banks	4	20	1	-
Residential mortgages	2	36	1	-
Other retail	1	100	1	-
Default	2	150	3	-
Total on-balance sheet exposures	163	98	169	13

Off-balance sheet exposures	Exposure amount $m	Average credit conversion factor %	Credit equivalent amount $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Undrawn commitments and other off balance sheet exposures	450	38	170	83	150	12

Credit exposures subject to the Standardised Approach have been calculated in accordance with BS2A.

Equity Exposures

As at 31/12/2010 (Unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All other equity holdings not deducted from capital	218	400	924	74

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

As at 31/12/2010 (Unaudited)	Exposure amount $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash and gold bullion	**282**	-	-	-
New Zealand dollar denominated claims on the Crown and the RBNZ	**1,465**	-	-	-
Other assets	**739**	**100**	**784**	**63**
Total other IRB credit risk exposures	**2,486**	**30**	**784**	**63**

Other exposures have been calculated in accordance with BS2B.

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

Operational Risk

As at 31 December 2010 the Banking Group had an implied risk weighted exposure of $5,178 million for operational risk and an operational risk capital requirement of $414 million. The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with BS2B.

Market Risk

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

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

	Implied risk weighted exposure		Aggregate capital charge		Aggregate capital charge as a percentage of the Banking Group's Equity	
Unaudited	As at $m	Peak $m	As at $m	Peak $m	As at %	Peak %
31/12/2010						
Interest rate risk	**4,078**	**4,078**	**326**	**326**	**3.1**	**3.1**
Foreign currency risk	**12**	**98**	**1**	**8**	**0.0**	**0.1**
Equity risk	**71**	**78**	**6**	**6**	**0.1**	**0.1**
	4,161		**333**			
31/12/2009						
Interest rate risk	4,155	4,218	332	337	3.2	3.3
Foreign currency risk	12	89	1	7	0.0	0.1
Equity risk	86	86	7	7	0.1	0.1
	4,253		340			
30/09/2010						
Interest rate risk	3,797	3,797	304	304	2.9	2.9
Foreign currency risk	25	101	2	8	0.0	0.1
Equity risk	78	81	6	6	0.1	0.1
	3,900		312			

Notes to the Financial Statements

Credit Risk Mitigation

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

As at 31 December 2010, under the IRB approach, the Banking Group had $1,277 million of Corporate exposures covered by guarantees, where the presence of the guarantees are judged to have reduced the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Retail mortgages by loan-to-valuation ratio (“LVR”)

As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by the Bank’s valuation of the security property at origination of the exposure. The exposure amount used to calculate LVR excludes commitments to lend.

As at 31/12/2010 (Unaudited)	Exposure amount $m
LVR range	
0% - 59%	**20,679**
60% - 69%	**7,010**
70% - 79%	**8,369**
80% - 89%	**4,363**
Over 90%	**4,219**
Total retail mortgage exposures subject to the internal ratings based approach	**44,640**

During the three months ended 31 December 2010 the Bank implemented a number of changes to the way it calculates loan to valuation ratios. These changes reflect enhancements to the calculation methodology and to improve the robustness of underlying source data.

Pillar II capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process (“ICAAP”) which complies with the requirements of the Bank’s Conditions of Registration.

Under the Banking Group’s ICAAP it identifies and measures all “other material risks”, which are those material risks that are not explicitly captured in the calculation of the Banking Group’s tier one and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group’s internal capital allocation for these other material risks is $329 million (31/12/2009: $368 million; 30/09/2010: $401 million).

Notes to the Financial Statements

17. Liquidity Portfolio

$ millions	**Unaudited 31/12/2010**	Unaudited 31/12/2009	Audited 30/09/2010
Cash and balances with central banks	**1,058**	2,141	1,015
Securities purchased under agreement to resell	**1,075**	339	266
Certificates of deposit	**768**	1,430	687
Government, local body stock and bonds	**4,825**	2,401	3,631
Available-for-sale assets	**1,480**	2,134	1,915
Other bonds	**3,077**	2,636	2,698
Total liquidity portfolio	**12,283**	11,081	10,212

18. Concentrations of Credit Risk

Concentrations of credit risk to individual counterparties

The number of individual counterparties (excluding OECD Governments and connected persons), where the Banking Group's quarter end and peak end-of-day credit exposure over the quarter equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, on the basis of limits for non-banks and exposures for banks, are:

	Unaudited 31/12/2010		Unaudited 31/12/2009		Audited 30/09/2010	
Number of counterparties	**As at**	**Peak for the quarter**	As at	Peak for the quarter	As at	Peak for the quarter
Concentrations of credit risk to bank counterparties						
10% to 20% of equity	**3**	**3**	1	2	2	3
20% to 30% of equity	**-**	**-**	-	1	-	-
Concentrations of credit risk to non bank counterparties						
10% to 20% of equity	**1**	**1**	1	1	1	1

The number of individual counterparties disclosed within the various equity ranges and the total exposure as at the end of the quarter are gross exposures. No account is taken of collateral, security and/or netting agreements which the Banking Group may hold in respect of the various counterparty exposures.

The peak number is calculated separately for each individual counterparty and the peak for all counterparties may not have occurred at the same time.

Total period end exposures to counterparties where the individual counterparty's exposure is greater than 10% of equity

$ millions	**Unaudited 31/12/2010**	Unaudited 31/12/2009	Audited 30/09/2010
Banks	**3,732**	1,964	2,603
Non banks	**1,236**	1,192	1,260

Credit ratings of counterparties

All of the counterparties included in the preceding tables have an investment grade credit rating (31/12/2009 100%; 30/09/2010 100%). An investment grade credit rating means a credit rating of BBB or Baa3 or above, or its equivalent. In the case of a group of closely related counterparties, the credit rating applicable is that of the entity heading the group of closely related counterparties. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars, or to an entity's long term senior unsecured foreign currency obligations.

Notes to the Financial Statements

Concentrations of credit risk to connected persons

Credit exposures to connected persons reported in the table below have been calculated in accordance with the Bank's conditions of conditions of registration, partially on a bilateral net basis, and partially on a gross basis. Netting has occurred in respect of certain transactions which are the subject of a bilateral netting agreement disclosed in the Bank's most recent Supplemental Disclosure Statement for the three months ended 31 December 2010.

	Unaudited 31/12/2010		Unaudited 31/12/2009		Audited 30/09/2010	
	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 (on gross basis, before netting)	**4,612**	**66.4%**	4,003	59.4%	3,925	58.9%
Less: amount netted off	**3,240**	**46.6%**	2,666	39.6%	3,229	48.4%
Other connected persons (on partial bilateral net basis)	**1,372**	**19.7%**	1,337	19.8%	696	10.5%
Peak-end-of-day for the period[1]						
Other connected persons (on gross basis, before netting)	**4,785**	**68.8%**	4,923	73.1%	4,981	74.8%
Less: amount netted off	**3,361**	**48.4%**	2,787	41.4%	3,126	46.9%
Other connected persons (on partial bilateral net basis)	**1,424**	**20.5%**	2,136	31.7%	1,855	27.9%
Rating-contingent limit[2]						
Other connected persons (on partial bilateral net basis)	**n/a**	**70.0%**	n/a	70.0%	n/a	70.0%
Non-bank connected persons	**n/a**	**15.0%**	n/a	15.0%	n/a	15.0%

[1] The Banking Group has complied with the limits on aggregate credit exposure (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. 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.

[2] Represents the maximum peak end-of-day aggregate credit exposures limit (of a non-capital nature and net of individual provisions) to all connected persons. This limit is based on the ratings applicable to the Bank's long term senior unsecured obligations payable in New Zealand in New Zealand dollars.

A limit of 125% of Banking Group tier one capital applies to the gross amount of aggregate credit exposure to connected persons that can be netted off in determining the net exposure.

The credit exposure concentrations disclosed for connected persons are on the basis of actual gross exposures and exclusive of exposures of a capital nature. There were no individual provisions provided against credit exposures to connected persons as at 31 December 2010 (31/12/2009 $nil; 30/09/2010 $nil). The Banking Group had no contingent exposures arising from risk lay-off arrangements to connected persons as at 31 December 2010 (31/12/2009 $nil; 30/09/2010 $nil).

Notes to the Financial Statements

19. Notes to the Cash Flow Statement

$ millions	Unaudited 3 months to 31/12/2010	Unaudited 3 months to 31/12/2009	Audited Year to 30/09/2010
Reconciliation of profit after income tax to net cash flows provided by/(used in) operating activities			
Profit after income tax	**258**	243	827
Non-cash items:			
Depreciation, amortisation and impairment	**47**	12	71
Provision for credit impairment	**29**	145	436
Deferred fee revenue and expenses	**11**	-	(5)
Share-based payments expense	**5**	5	21
Amortisation of capitalised brokerage/ mortgage origination fees	**13**	9	35
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets less liabilities	**(868)**	2,111	(1,789)
Change in interest receivable	**4**	(10)	6
Change in interest payable	**87**	(50)	(64)
Change in accrued income	**4**	(4)	(6)
Change in accrued expenses	**(70)**	1	51
Change in provisions	**(49)**	(14)	(63)
Amortisation of premiums and discounts	**18**	3	39
Change in insurance policy assets	**(3)**	-	(49)
Change in insurance investment assets	**(10)**	-	(10)
Change in income tax assets	**71**	(318)	(302)
Items classified as investing/financing:			
Share of profit of equity accounted associates and jointly controlled entities	**-**	(36)	(42)
Impairment of associates	**-**	-	7
Re-measuring existing equity interest to fair value	**-**	82	82
Loss on disposal of premises and equipment and intangibles	**3**	5	9
Net cash flows provided by / (used in) operating activities	**(450)**	2,184	(746)

$ millions	Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Reconciliation of cash and cash equivalents to the balance sheets			
Liquid assets	**2,168**	2,869	2,238
Due from other financial institutions – less than 90 days	**2,194**	3,688	1,339
Total cash and cash equivalents	**4,362**	6,557	3,577

Notes to the Financial Statements

20. Securitisations, Funds Management, Other Fiduciary Activities and Insurance

Securitisation

In October 2008, the Banking Group established an in-house residential mortgage backed securities facility that could issue securities meeting the RBNZ criteria for use as collateral in repurchase transactions with the RBNZ. As at 31 December 2010 the rights to cash flows associated with residential mortgages with a carrying value of $6,212 million (31/12/2009 $5,417 million; 30/09/2010 $6,531 million) were held in the facility. These assets do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore the Banking Group's financial statements do not change as a result of establishing these facilities.

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 Banking Group provides private banking services to a number of clients, including investment advice and portfolio management. The Banking Group is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

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

Custodial services

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

Provision of financial services

Financial services provided by the 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.

Except for standard lending facilities provided in the normal course of business on arm's length terms, 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 (31/12/2009 $nil; 30/09/2010 $nil).

Insurance business

The Banking Group conducts an insurance business through OnePath Insurance Holdings (NZ) Limited and its subsidiaries ("OnePath Insurance"), the assets, liabilities and operations of which are fully consolidated into the Banking Group. OnePath Insurance provides risk transfer and investment contract life insurance products. In addition, other entities within the Banking Group market and distribute a range of insurance products which are underwritten by OnePath Insurance, or by third party insurance companies.

The aggregate insurance business conducted by OnePath Insurance comprises assets totalling $335 million (31/12/2009: $297 million; 30/09/2010 $337 million), which is 0.3% (31/12/2009: 0.3%; 30/09/2010 0.3%) of the total consolidated assets of the Banking Group.

Notes to the Financial Statements

21. Credit Related Commitments and Contingent Liabilities

$ millions	Face or contract value Unaudited 31/12/2010	Unaudited 31/12/2009	Audited 30/09/2010
Credit related commitments			
Commitments with certain drawdown due within one year	**503**	549	493
Commitments to provide financial services	**21,633**	22,018	20,289
Total credit related commitments	**22,136**	22,567	20,782
Contingent liabilities			
Financial guarantees	**1,852**	1,751	1,686
Standby letters of credit	**68**	384	60
Transaction related contingent items	**841**	1,015	898
Trade related contingent liabilities	**79**	70	97
Total contingent liabilities	**2,840**	3,220	2,741

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

Commerce Commission

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

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

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

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 December 2010, there were no other contingent assets or liabilities required to be disclosed.

22. Subsequent Events

In November 2010 ANZ New Zealand announced that it will move to a single banking platform during 2011. Further, a management restructure was announced on 9 February 2011 to set up a simplified regional reporting structure across the bank. The total cost of these announcements is estimated at around $160 million operating expense and around $60 million capital expense.

In February 2011 the Banking Group sold certain available for sale assets, resulting in a gain of $42 million after tax being recognised in the Income Statement, of which $28 million was transferred from the available for sale reserve.

On 11 February 2011 the Bank resolved to pay an ordinary dividend of $430 million no later than 31 March 2011.

Conditions of Registration

Conditions of Registration, applicable as at 18 February 2011. These Conditions of Registration have applied from 15 October 2010.

There have been no changes in the Bank's conditions of registration since the issuance of the last General Disclosure Statement dated 22 November 2010.

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 October 2010 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 October 2010 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 October 2010 is not less than $30 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 October 2010 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 October 2010 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 October 2010; 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 October 2010;
   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 October 2010; 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 October 2010.

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 October 2010; 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 October 2010.

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 October 2010; 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 October 2010.

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.

Conditions of Registration

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 of the registered bank[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 October 2010.

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

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.

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.

13. That the Banking Group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:
    a) the one-week mismatch ratio of the Banking Group is not less than zero percent at the end of each business day;
    b) the one-month mismatch ratio of the Banking Group is not less than zero percent at the end of each business day; and
    c) the one-year core funding ratio of the Banking Group is not less than 65 percent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated March 2010 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated March 2010.

14. That, with effect from 1 April 2010, the Registered Bank has an internal framework for liquidity risk management that is adequate in the Registered Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:
    a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
    d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

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).

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 (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008;

ii) The Disclosure Statement is not false or misleading.

Over the three months ended 31 December 2010, after due enquiry, each Director believes that:

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

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

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

This General Short Form Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on 18 February 2011. On that date, the Directors of the Bank were:

Dr D T Brash

S C Elliott

N M T Geary, CBE

D D Hisco

J F Judge

P R Marriott

M R P Smith, OBE

Sir Dryden Spring

Independent Review Report to the Directors of ANZ National Bank Limited for the three months ended 31 December 2010

Independent Review Report to the Directors of ANZ National Bank Limited

We have reviewed the interim financial statements on pages 5 to 28 prepared and disclosed in accordance with Clause 19 of the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 2 to 8. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of ANZ National Bank Limited and its subsidiary companies (the 'Banking Group') and their financial position as at 31 December 2010. This information is stated in accordance with the accounting policies set out on page 9.

Directors' responsibilities

The Directors of ANZ National Bank Limited are responsible for the preparation and presentation of interim financial statements in accordance with Clause 19 of the Order which give a true and fair view of the financial position of the Banking Group as at 31 December 2010 and its financial performance and cash flows for the three months ended on that date.

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

Reviewers' responsibilities

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Schedules 3, 5 to 8, and Clause 13 of Schedule 2 of the Order presented to us by the Directors and reporting our findings to you.

It is also our responsibility to express a review opinion on the supplementary information as required by Schedule 4B of the Order in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the information disclosed in accordance with Schedule 4B is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand and disclosed in accordance with Schedule 4B 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 Banking Group in relation to other audit related services. Partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

Review Opinion

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

a. the interim financial statements (excluding the supplementary information disclosed in Notes 15, 16, 18 and 20) do not present a true and fair view of the financial position of the Banking Group as at 31 December 2010 and its financial performance and cash flows for the three months ended on that date;

b. the supplementary information disclosed in Notes 15, 18 and 20 prescribed by Schedules 3, 5 to 8 and Clause 13 of Schedule 2 of the Order is not fairly stated in accordance with those Schedules; and

c. the supplementary information relating to Capital Adequacy disclosed in Note 16 of the interim financial statements, as required by Schedule 4B of the Order, is not in all material respects prepared 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 Banking Group's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 4B of the Order.

Our review was completed on 18 February 2011 and our review opinion is expressed as at that date.

KPMG

Wellington

ANZ National Bank Limited anzacc1931 02/11

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