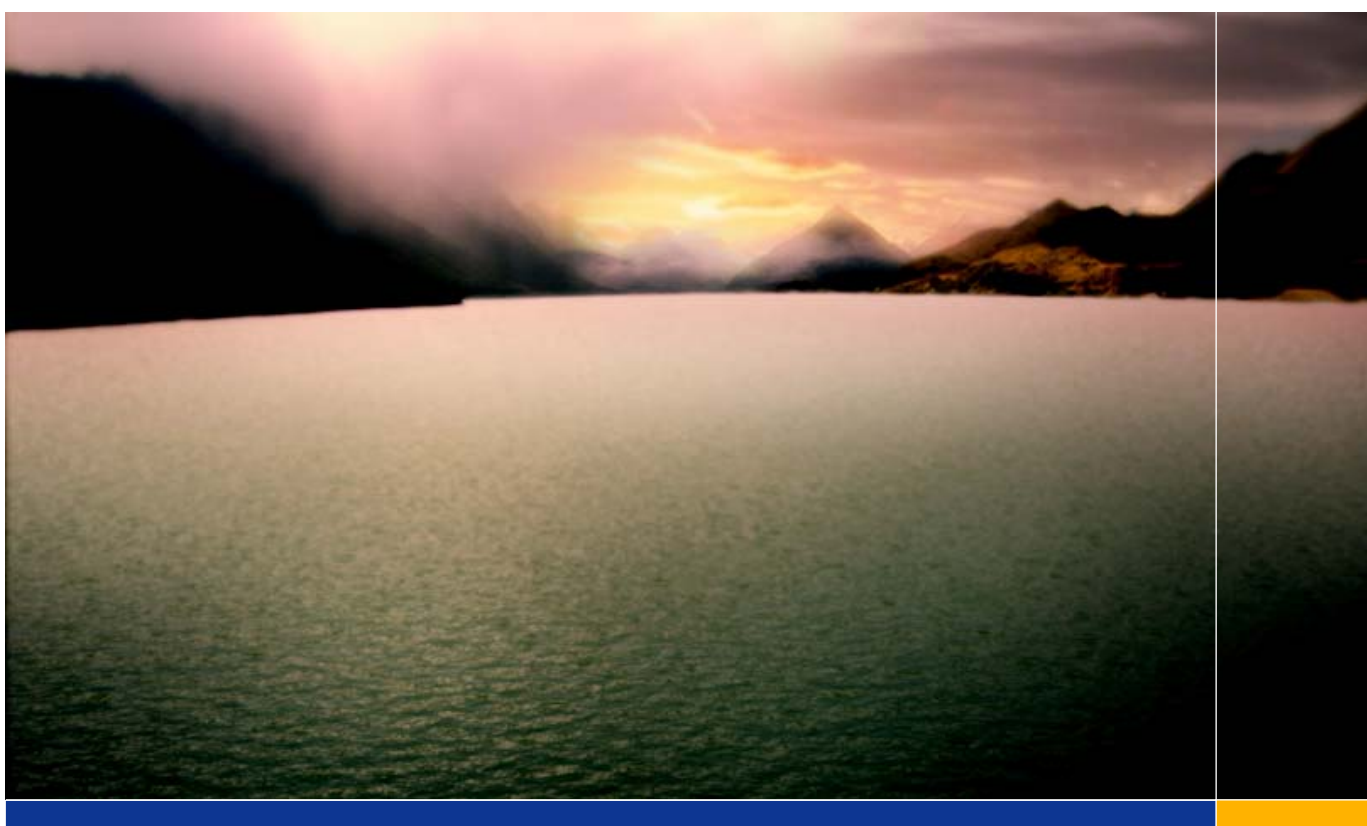


Bank of New Zealand General Short Form Disclosure Statement

For the nine months ended 30 June 2008



General Short Form Disclosure Statement

For the nine months ended 30 June 2008

This General Short Form Disclosure Statement has been issued by Bank of New Zealand for the nine months ended 30 June 2008 in accordance with the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2008 (the “Order”).

Bank of New Zealand has not published a supplemental disclosure statement as all information required to be disclosed by the Order is included in this General Short Form Disclosure Statement.

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

- a) “Banking Group” means Bank of New Zealand and all of its controlled entities; and
- b) Words and phrases defined by the Order have the same meanings.

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Bank of New Zealand Corporate Information

Address for Service

The name of the Registered Bank is Bank of New Zealand (referred to either by its full name or as the “Bank” or the “Company”) and its address for service is Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Details of Incorporation

The Bank was incorporated on 29 July 1861 under The New Zealand Bank Act 1861. On 14 March 1989 the Bank became, by virtue of an Order in Council made pursuant to section 4 of the Bank of New Zealand Act 1988, a company limited by shares incorporated and registered under the Companies Act 1955. On 24 March 1997, the Bank was reregistered under the Companies Act 1993.

Voting Securities and Power to Appoint Directors

National Australia Group (NZ) Limited, National Australia Bank Limited and National Equities Limited are the only holders of a direct or indirect qualifying interest in the voting securities of the Bank. There are 2,470,997,499 voting securities of the Bank. National Australia Group (NZ) Limited is the registered and beneficial holder of 2,470,997,499 voting securities. Neither National Australia Bank Limited (the ultimate parent company) nor National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) is the registered or the beneficial holder of any of the voting securities of the Bank but each has a relevant interest in all of such securities by virtue of National Australia Group (NZ) Limited being related to them in terms of section 5B(2) of the Securities Markets Act 1988.

The ultimate parent company has the power under the Bank’s constitution to appoint any person as Director of the Bank or to remove any person from the office of Director, from time to time by giving written notice to the Bank. Any appointment of a Director is subject to the Reserve Bank of New Zealand confirming it has no objection to that appointment.

Guarantors

The material obligations of the Bank are not guaranteed.

Insurance Business

The Banking Group does not conduct any Insurance Business, as defined in clause 3(i) of Bank of New Zealand’s Conditions of Registration set out on page 33.

Ultimate Parent Bank

Ultimate Parent Bank and Address for Service

The ultimate parent bank of Bank of New Zealand is National Australia Bank Limited whose address for service is Level 34, 500 Bourke Street, Melbourne, Victoria 3000, Australia.

Legally Enforceable Restrictions that may Materially Inhibit National Australia Bank Limited’s Legal Ability to Provide Material Financial Support to Bank of New Zealand

National Australia Bank Limited does not guarantee the obligations of Bank of New Zealand.

Pursuant to the Banking Act 1959 (Cth), the Australian Prudential Regulation Authority has issued a legally enforceable prudential standard which restricts associations between an authorised deposit-taking institution (such as National Australia Bank Limited) and its related entities.

Any provision of material financial support to Bank of New Zealand by National Australia Bank Limited would need to comply with the following pertinent requirements of the prudential standard:

1. National Australia Bank Limited should not undertake any third-party dealings with the prime purpose of supporting the business of Bank of New Zealand. National Australia Bank Limited must avoid giving any impression of its support unless there are formal legal arrangements in place providing for such support.
2. National Australia Bank Limited should not hold unlimited exposures to Bank of New Zealand.
3. National Australia Bank Limited should not enter into cross-default clauses whereby a default by Bank of New Zealand on an obligation (whether financial or otherwise) is deemed to trigger a default of National Australia Bank Limited in its obligations.
4. In determining limits on acceptable levels of exposure to Bank of New Zealand, the Board of Directors of National Australia Bank Limited should have regard to the level of exposures which would be approved for unrelated entities of broadly equivalent credit status, and the impact on National Australia Bank Limited’s stand-alone capital and liquidity positions, as well as its ability to continue operating, in the event of a failure of any related entity to which National Australia Bank Limited is exposed.
5. National Australia Bank Limited’s exposure to Bank of New Zealand cannot exceed 50% of National Australia Bank Limited’s stand-alone capital base, and its aggregate exposure to all related authorised deposit-taking institutions cannot exceed 150% of that capital base. Exposures in excess of these limits require the prior approval of the Australian Prudential Regulation Authority.

Ultimate Parent Bank continued

The Australian Prudential Regulation Authority has broad powers under the Banking Act 1959 (Cth) to give legally enforceable directions to National Australia Bank Limited in circumstances, for example, where it considers that National Australia Bank Limited has not complied with prudential standards or that it is in the interests of National Australia Bank Limited's deposit holders to do so. In the event that National Australia Bank Limited becomes unlikely to be able to meet its obligations or is about to suspend payments, the Australian Prudential Regulation Authority has the power to take control of National Australia Bank Limited's business or appoint an administrator to National Australia Bank Limited's affairs.

The priority of the creditors of National Australia Bank Limited in the event that National Australia Bank Limited is unable to meet its obligations is governed by various Australian laws, including the Banking Act 1959 (Cth). That Act provides that the assets of National Australia Bank Limited in Australia are to be available to meet its deposit liabilities in Australia in priority to all other liabilities.

Directorate

Communications addressed to the Directors and responsible persons, or any of them, may be sent to Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Changes in Directors

Janine Laurel Smith retired as an Independent Non-Executive Director on 30 June 2008.

Responsible Persons

Messrs. Thomas Kirriemuir McDonald and Cameron Anthony Clyne, whose occupations, professional qualifications, countries of residence, and directorships are disclosed in the General Disclosure Statement for the six months ended 31 March 2008, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, on behalf of the other Directors, being:

Edwin Gilmour Johnson
Dr. Susan Carrel Macken
Stephen John Moir
Dr. Andrew John Pearce
Heughan Bassett Rennie, C.B.E., Q.C.
Michael James Ullmer
John Anthony Waller

Income Statement

For the nine months ended 30 June 2008

Dollars in Millions	Note	Consolidated		
		Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Interest income		3,885	3,189	4,394
Interest expense		2,882	2,298	3,192
Net interest income		1,003	891	1,202
Gains less losses on financial instruments at fair value	2	138	179	246
Other operating income		342	283	372
Total operating income		1,483	1,353	1,820
Operating expenses		588	555	751
Total operating profit before impairment losses on credit exposures and income tax expense		895	798	1,069
Impairment losses on credit exposures	11	50	38	52
Total operating profit before income tax expense		845	760	1,017
Income tax expense		248	252	334
Net profit attributable to shareholders of Bank of New Zealand		597	508	683

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Statement of Recognised Income and Expense

For the nine months ended 30 June 2008

Dollars in Millions	Note	Consolidated		
		Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Changes in items recognised directly in equity during the period				
Net actuarial gain/(loss) on defined benefit plan		-	-	2
Net change in asset revaluation reserve		-	-	2
Net change in foreign currency translation reserve		4	(6)	(7)
Net change in available for sale investments revaluation reserve		42	-	-
Net change in cash flow hedge reserve		(20)	44	36
Total changes in items recognised directly in equity during the period		26	38	33
Net profit attributable to shareholders of Bank of New Zealand		597	508	683
Total recognised income and expense for the period	17	623	546	716

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Balance Sheet

As at 30 June 2008

Dollars in Millions	Note	Consolidated		
		Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Assets				
Cash and balances with central banks	5	1,487	1,251	1,908
Due from other financial institutions	6	638	372	355
Trading securities	7	2,409	1,354	1,874
Other money market placements	8	1,248	1,131	995
Investments – held to maturity	9	-	50	-
Loans and advances to customers	10	50,782	45,959	47,161
Derivative financial instruments		2,530	2,985	3,244
Amounts due from related entities		68	82	65
Current tax		-	-	11
Deferred tax		91	65	67
Property, plant and equipment		93	80	81
Goodwill and other intangible assets		74	66	69
Other assets		823	549	545
Total assets		60,243	53,944	56,375
Financed by:				
Liabilities				
Due to central banks and other financial institutions	13	862	895	757
Other money market deposits	14	14,620	12,426	13,839
Trading liabilities		60	11	62
Deposits from customers	15	26,192	23,767	24,173
Derivative financial instruments		2,497	2,920	3,229
Bonds and notes		6,629	4,867	5,634
Amounts due to related entities		3,135	3,674	3,217
Current tax		37	93	-
Subordinated debt	16	1,245	1,253	1,267
Other liabilities		870	790	779
Total liabilities		56,147	50,696	52,957
Shareholders' equity				
Contributed equity – ordinary shareholder		1,451	1,451	1,451
Reserves	18	52	33	26
Retained profits		2,143	1,764	1,941
Ordinary shareholder's equity		3,646	3,248	3,418
Contributed equity – perpetual preference shareholder		450	-	-
Total shareholders' equity	17	4,096	3,248	3,418
Total liabilities and shareholders' equity		60,243	53,944	56,375

Each of the 2,470,997,499 ordinary shares entitles the shareholder to one vote at any meeting of shareholders.

Each of the 449,730,000 perpetual non-cumulative preference shares ("BNZ PPS") is non-redeemable and carry no voting rights other than in relation to amendments of the rights, privileges, limitations and conditions attaching to the BNZ PPS.

The contributed equity from ordinary and perpetual preference shareholders are included in tier one capital of the Banking Group.

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Cash Flow Statement

For the nine months ended 30 June 2008

Dollars in Millions	Consolidated		
	Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Cash flows from operating activities			
Cash was provided from:			
Dividend income	1	2	2
Interest income	3,890	3,154	4,343
Net trading income and derivative financial instruments	-	133	191
Other income	315	281	370
Cash was applied to:			
Interest expense	(2,853)	(2,233)	(3,123)
Net trading income and derivative financial instruments	(141)	-	-
Operating expenses	(546)	(533)	(704)
Net cash flows from operating activities before changes in operating assets and liabilities	666	804	1,079
Changes in operating assets and liabilities arising from cash flow movements			
Cash was provided from:			
Decrease in balances with central banks (term)*	231	102	-
Decrease in due from other financial institutions (term)*	-	229	144
Decrease in other assets	-	-	13
Increase in deposits from customers*	2,019	1,346	1,752
Increase in due to central banks and other financial institutions (term)*	65	40	-
Increase in other liabilities	61	13	-
Cash was applied to:			
Decrease in due to central banks and other financial institutions (term)*	-	-	(78)
Decrease in other liabilities	-	-	(18)
Increase in balances with central banks (term)*	-	-	(81)
Increase in due from other financial institutions (term)*	(134)	-	-
Increase in loans and advances to customers*	(3,481)	(4,047)	(5,198)
Increase in other assets	(211)	(8)	-
Increase in other money market placements*	(253)	(240)	(104)
Increase in trading securities and trading liabilities*	(541)	(356)	(826)
Net change in operating assets and liabilities	(2,244)	(2,921)	(4,396)
Net cash flows from operating activities before income tax	(1,578)	(2,117)	(3,317)
Cash was applied to:			
Taxes and subvention payments	(214)	(189)	(374)
Net cash flows from operating activities	(1,792)	(2,306)	(3,691)

* The amounts shown represent the net cash flows for the interim financial period.

Cash Flow Statement continued

For the nine months ended 30 June 2008

Dollars in Millions	Note	Consolidated		
		Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	17	17
Proceeds on maturity of investments – held to maturity		-	5	55
Cash was applied to:				
Acquisition of intangible assets		(25)	(13)	(24)
Purchase of property, plant and equipment		(32)	(27)	(26)
Net cash flows from investing activities		(57)	(18)	22
Cash flows from financing activities				
Cash was provided from:				
Increase in bonds and notes*		1,055	1,081	1,866
Increase in other money market deposits*		748	1,464	2,852
Increase in contributed equity – perpetual preference shares		450	-	-
Increase in subordinated debt		-	345	349
Cash was applied to:				
Decrease in subordinated debt		(5)	(300)	(300)
Ordinary dividend		(388)	(430)	(430)
Perpetual preference dividend		(7)	-	-
Other related entity funding*		(85)	(1,182)	(1,622)
Net cash flows from financing activities		1,768	978	2,715
Net increase/(decrease) in cash and cash equivalents		(81)	(1,346)	(954)
Cash and cash equivalents at beginning of period		1,413	2,367	2,367
Cash and cash equivalents at end of period		1,332	1,021	1,413
Cash and cash equivalents at end of period comprised:				
Cash and balances with central banks (call)	5	1,487	1,203	1,677
Due from other financial institutions (call)	6	258	211	109
Due to central banks and other financial institutions (call)	13	(413)	(393)	(373)
Total cash and cash equivalents		1,332	1,021	1,413

* The amounts shown represent the net cash flows for the interim financial period.

Cash Flow Statement continued

For the nine months ended 30 June 2008

Dollars in Millions	Note	Consolidated		
		Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Reconciliation of net profit attributable to shareholders of Bank of New Zealand to net cash flows from operating activities				
Net profit attributable to shareholders of Bank of New Zealand		597	508	683
Add back non-cash items in net profit:				
Decrease in accrued interest receivable		5	-	-
Depreciation and amortisation expense		26	24	33
Impairment losses on credit exposures	11	50	38	52
Impairment losses on non-financial assets		14	6	6
Increase in accrued interest payable		29	65	69
Increase in other operating provisions		2	-	8
Increase in provision for tax		34	63	-
Deduct non-cash items in net profit:				
Decrease in other operating provisions		-	(8)	-
Decrease in provision for tax		-	-	(40)
Increase in accrued interest receivable		-	(35)	(51)
Net gains less losses on financial instruments at fair value		(279)	(46)	(55)
Non-cash gain on Visa shares		(26)	-	-
Deduct operating cash flows not included in net profit:				
Net change in operating assets and liabilities		(2,244)	(2,921)	(4,396)
Net cash flows from operating activities		(1,792)	(2,306)	(3,691)

Netting of cash flows

Certain cash flows (as indicated by *) are shown net as these cash flows are received and disbursed on behalf of customers and counterparties and therefore reflect the activities of these parties rather than those of the Banking Group.

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

Movements in cash and cash equivalents do not represent a cash inflow in the normal sense. Rather, they represent changes in the net inter-bank funding on the balance sheet dates. These balances fluctuate widely in the normal course of business.

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Notes to and Forming Part of the Interim Financial Statements

For the nine months ended 30 June 2008

Note 1 Principal Accounting Policies

There have been no material changes in accounting policies during the interim financial period. The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the General Disclosure Statement for the six months ended 31 March 2008.

These interim financial statements are general purpose financial reports prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and the Order, and should be read in conjunction with the General Disclosure Statement for the six months ended 31 March 2008.

Income Statement Notes

Dollars in Millions	Consolidated		
	Unaudited 9 Months 30/6/08	Unaudited 9 Months 30/6/07	Audited 12 Months 30/9/07
Note 2 Gains less Losses on Financial Instruments at Fair Value			
Hedging			
Net gain/(loss) arising from hedging instruments in fair value hedge relationships	(148)	149	119
Net gain/(loss) arising from the hedged items attributable to the hedged risk in fair value hedge relationships	138	(70)	(35)
Ineffectiveness arising from cash flow hedges	(7)	1	1
	(17)	80	85
Trading			
Foreign exchange trading derivatives	(23)	44	78
Interest rate related trading derivatives	58	10	48
Net gain/(loss) in the fair value of financial assets and liabilities held for trading	4	-	-
	39	54	126
Other			
Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss	40	14	21
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	78	29	12
Bid/offer adjustment	-	2	1
Net gain/(loss) attributable to other derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments	(2)	-	1
	116	45	35
Total gains less losses on financial instruments at fair value	138	179	246

Included in the net gain in the fair value of financial assets designated at fair value through profit or loss for the nine months ended 30 June 2008 is a \$94 million loss relating to the movement in the fair value of derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments (nine months ended 30 June 2007: \$73 million gain; year ended 30 September 2007: \$58 million gain).

Included in the net gain in the fair value of financial liabilities designated at fair value through profit or loss for the nine months ended 30 June 2008 is a \$46 million gain relating to the movement in the fair value of derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments (nine months ended 30 June 2007: nil; year ended 30 September 2007: \$19 million loss).

Notes to and Forming Part of the Interim Financial Statements continued

Note 3 Segment Analysis

Business segments

For the purposes of this note a business segment is a distinguishable component of the entity that is engaged in providing groups of related products and services and that is subject to risks and returns that are different from those of other business segments. Separate financial information for each segment is reported to the Board of Directors and Managing Director for the purposes of evaluating performance.

The Banking Group's business is organised into three operating segments: New Zealand Banking, Corporate and Institutional Banking and Other. New Zealand Banking is the retailing arm of the Banking Group, providing a full range of financial services to retail, business and agribusiness customers. The Banking Group's funding operations are also included in New Zealand Banking. Corporate and Institutional Banking is responsible for the Banking Group's relationships with large corporations and institutions. It comprises Corporate Banking, Financial Institutions, Markets, Specialised Finance and a services unit. Other includes segments which are not considered to be separate reportable operating segments.

Revenues and expenses directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments. Segment revenue represents revenue directly attributable to a segment and a portion of the Banking Group's revenue that can be allocated to a segment on a reasonable basis. Segment result represents segment revenue less segment expenses and impairment losses on credit exposures and before income taxes.

Dollars in Millions	Consolidated			Total
	New Zealand Banking	Corporate and Institutional Banking	Other	
For the nine months ended 30 June 2008 (Unaudited)				
Segment revenue	1,068	290	125	1,483
Segment result	493	227	125	845
For the nine months ended 30 June 2007 (Unaudited)				
Segment revenue	1,095	179	79	1,353
Segment result	561	122	77	760
For the year ended 30 September 2007 (Audited)				
Segment revenue	1,440	276	104	1,820
Segment result	726	190	101	1,017

Segment result in relation to the Banking Group's funding operations are now included in New Zealand Banking. Comparative information has been restated accordingly.

Notes to and Forming Part of the Interim Financial Statements continued

Asset Notes

Note 4 Investments in Controlled Entities

Incorporation of controlled entities

BNZ Agricapital Limited and BNZ Equity Investments Limited, wholly owned controlled entities of Bank of New Zealand, were incorporated on 26 November 2007.

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 5 Cash and Balances with Central Banks			
Notes and coins	131	130	124
Transaction balances with central banks	1,356	1,073	1,553
Loans and advances to central banks	-	48	231
Total cash and balances with central banks	1,487	1,251	1,908
Cash and balances with central banks comprised:			
Call balances	1,487	1,203	1,677
Term balances	-	48	231
Total cash and balances with central banks	1,487	1,251	1,908

Note 6 Due from Other Financial Institutions

Transaction balances with other financial institutions	159	204	89
Securities purchased under agreements to resell with other financial institutions	225	80	146
Loans and advances due from other financial institutions	254	88	120
Total due from other financial institutions	638	372	355
Due from other financial institutions comprised:			
Call balances	258	211	109
Term balances	380	161	246
Total due from other financial institutions	638	372	355

Note 7 Trading Securities

Treasury bills	521	815	495
Government securities	234	10	29
Bank bills	957	56	564
Bank bonds	458	75	491
Promissory notes	156	304	207
Other securities	83	94	88
Total trading securities	2,409	1,354	1,874

Included in trading securities as at 30 June 2008 were \$64 million encumbered through repurchase agreements (30 June 2007: \$7 million; 30 September 2007: \$3 million). No trading securities were used to secure deposit obligations as at 30 June 2008 (30 June 2007: nil; 30 September 2007: nil).

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 8 Other Money Market Placements			
Money market placements with non-financial institutions	961	823	914
Securities purchased under agreements to resell with non-financial institutions	287	308	81
Total other money market placements	1,248	1,131	995

Notes to and Forming Part of the Interim Financial Statements continued

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 9 Investments – Held to Maturity			
Other securities	-	50	-
Total investments – held to maturity	-	50	-

Included in held to maturity investments as at 30 June 2008 were no assets encumbered through repurchase agreements (30 June 2007: nil; 30 September 2007: nil) and no assets used to secure deposit obligations (30 June 2007: nil; 30 September 2007: nil).

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 10 Loans and Advances to Customers			
Overdrafts	2,397	1,900	2,111
Credit card outstandings	1,264	1,235	1,239
Lease finance	31	32	33
Housing loans	24,061	22,539	22,913
Other term lending	23,162	20,435	21,044
Other lending	110	119	90
Total gross loans and advances to customers	51,025	46,260	47,430
Deduct:			
Allowance for impairment losses on loans and advances to customers	192	164	170
Credit risk adjustments for loans designated at fair value through profit or loss	54	42	48
Unearned future income on lease finance	5	7	7
Deferred income	25	22	21
Fair value hedge adjustments	(33)	66	23
Total deductions	243	301	269
Total net loans and advances to customers	50,782	45,959	47,161

Notes to and Forming Part of the Interim Financial Statements continued

Dollars in Millions	Consolidated		
	Residential Mortgage Lending Unaudited 30/6/08	Other Unaudited 30/6/08	Total Unaudited 30/6/08
Note 11 Allowance for Impairment Losses on Credit Exposures			
Allowance for impairment losses on individual financial assets			
Loans and advances to customers			
Balance at beginning of period	2	17	19
Charge to income statement	6	35	41
Amounts written off	(2)	(33)	(35)
Recovery of amounts written off in previous periods	-	7	7
Balance at end of period	6	26	32
Allowance for impairment losses on groups of financial assets			
Balance at beginning of period			151
Charge to income statement			9
Balance at end of period			160
Total allowance for impairment losses on credit exposures			192
			30/6/07 Unaudited

Allowance for impairment losses on individual financial assets			
Loans and advances to customers			
Balance at beginning of period	-	21	21
Charge to income statement	1	17	18
Amounts written off	-	(31)	(31)
Recovery of amounts written off in previous periods	-	8	8
Balance at end of period	1	15	16
Allowance for impairment losses on groups of financial assets			
Balance at beginning of period			128
Charge to income statement			20
Balance at end of period			148
Total allowance for impairment losses on credit exposures			164
			30/9/07 Audited

Allowance for impairment losses on individual financial assets			
Loans and advances to customers			
Balance at beginning of year	-	21	21
Charge to income statement	2	27	29
Amounts written off	-	(41)	(41)
Recovery of amounts written off in previous years	-	10	10
Balance at end of year	2	17	19
Allowance for impairment losses on groups of financial assets			
Balance at beginning of year			128
Charge to income statement			23
Balance at end of year			151
Total allowance for impairment losses on credit exposures			170

The tables above only reflect allowances for impairment losses on financial assets held at amortised cost. Since 1 October 2005, credit risk adjustments on financial assets designated at fair value through profit or loss have been incorporated into the carrying value of those assets and charged to the income statement within Gains less losses on financial instruments at fair value.

Notes to and Forming Part of the Interim Financial Statements continued

Note 11 Allowance for Impairment Losses on Credit Exposures continued

The changes in value of loans designated at fair value through profit or loss that is attributable to changes in credit risk have been calculated using a statistical-based calculation that estimates expected losses attributable to adverse movement in credit risks.

These credit risk adjustments are analysed in the tables below:

Dollars in Millions	Consolidated		
	Residential Mortgage Lending Unaudited 30/6/08	Other Unaudited 30/6/08	Total Unaudited 30/6/08
Credit risk adjustments for loans designated at fair value through profit or loss			
On individual financial assets			
Loans and advances to customers			
Balance at beginning of period	-	5	5
Charge to income statement	-	3	3
Amounts written off	-	-	-
Balance at end of period	-	8	8
On groups of financial assets			
Balance at beginning of period			43
Charge to income statement			3
Balance at end of period			46
Total credit risk adjustments for loans designated at fair value through profit or loss			54
			30/6/07 Unaudited

Credit risk adjustments for loans designated at fair value through profit or loss

On individual financial assets

Loans and advances to customers

Balance at beginning of period	-	2	2
Charge to income statement	-	-	-
Amounts written off	-	-	-
Balance at end of period	-	2	2

On groups of financial assets

Balance at beginning of period			27
Charge to income statement			13
Balance at end of period			40
Total credit risk adjustments for loans designated at fair value through profit or loss			42

30/9/07 Audited

Credit risk adjustments for loans designated at fair value through profit or loss

On individual financial assets

Loans and advances to customers

Balance at beginning of year	-	2	2
Charge to income statement	-	3	3
Amounts written off	-	-	-
Balance at end of year	-	5	5

On groups of financial assets

Balance at beginning of year			27
Charge to income statement			16
Balance at end of year			43
Total credit risk adjustments for loans designated at fair value through profit or loss			48

As at 30 June 2008, the Banking Group did not have any impairment losses on restructured assets, past due assets, assets acquired through the enforcement of security or other assets under administration (30 June 2007: nil; 30 September 2007: nil).

Notes to and Forming Part of the Interim Financial Statements continued

Note 12 Asset Quality

The Banking Group provides for impairment losses on credit exposures as disclosed in note 11. Accordingly, when management determines that recovery of a loan is doubtful, the principal amount and accrued interest on the obligation are written down to estimated net realisable value and interest charges are no longer recognised in the income statement.

Pre-allowance balances at end of period

Dollars in Millions	Consolidated		
	Residential Mortgage Lending Unaudited 30/6/08	Other Unaudited 30/6/08	Total Unaudited 30/6/08
Other individually impaired assets	36	54	90
90 day past due assets			157
Other assets under administration			4
Total pre-allowance balances			251
	30/6/07 Unaudited		
Other individually impaired assets	9	27	36
90 day past due assets			59
Other assets under administration			2
Total pre-allowance balances			97
	30/9/07 Audited		
Other individually impaired assets	18	31	49
90 day past due assets			68
Other assets under administration			2
Total pre-allowance balances			119

Past due loans are not necessarily doubtful. Gross amounts for the Banking Group have been stated without taking into account security available for such loans. The Banking Group did not have any restructured assets or assets acquired through security enforcement as at 30 June 2008 (30 June 2007: nil; 30 September 2007: nil).

As at 30 June 2008, the Banking Group had loans with an outstanding balance of \$17 million that were deemed to be impaired, but are not included in the above table as they have been designated at fair value through profit or loss (30 June 2007: \$9 million; 30 September 2007: \$13 million).

Notes to and Forming Part of the Interim Financial Statements continued

Liability Notes

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 13 Due to Central Banks and Other Financial Institutions			
Transaction balances with other financial institutions	413	375	371
Securities sold under agreements to repurchase from other financial institutions	261	298	5
Deposits from central banks	125	157	205
Deposits from other financial institutions	63	65	176
Total due to central banks and other financial institutions	862	895	757
Due to central banks and other financial institutions comprised:			
Call balances	413	393	373
Term balances	449	502	384
Total due to central banks and other financial institutions	862	895	757
Note 14 Other Money Market Deposits			
Money market deposits from non-financial institutions	2,630	3,536	3,077
Certificates of deposit	4,633	4,009	4,926
Commercial paper	7,357	4,881	5,836
Total other money market deposits	14,620	12,426	13,839
Note 15 Deposits from Customers			
Demand deposits not bearing interest	616	722	651
Demand deposits bearing interest	8,748	8,593	8,530
Term deposits	16,828	14,452	14,992
Total deposits from customers	26,192	23,767	24,173

Notes to and Forming Part of the Interim Financial Statements continued

Note 16 Subordinated Debt

The following subordinated loans and bonds are expressed to be subordinated to all other indebtedness of the Bank. The subordinated debt constitutes upper or lower tier two capital for Reserve Bank of New Zealand capital adequacy purposes as follows:

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Upper tier two capital			
Subordinated loans from related entities			
National Equities Limited	190	190	190
Total subordinated loans from related entities	190	190	190
Total upper tier two capital	190	190	190
Lower tier two capital			
Subordinated loans from related entities			
NAB Capital LLC	230	230	230
National Equities Limited	485	485	485
Total subordinated loans from related entities	715	715	715
Other subordinated debt			
NZD term subordinated fixed rate bonds	340	348	362
Total other subordinated debt	340	348	362
Total lower tier two capital	1,055	1,063	1,077
Total subordinated debt	1,245	1,253	1,267

The interest rates on the subordinated loans from related entities are reset every three months based on a margin over the prevailing rate for New Zealand 90-day bank bills. The effective weighted average interest rate applying on the loans was 9.4% p.a. as at 30 June 2008 (30 June 2007: 8.8% p.a.; 30 September 2007: 9.1% p.a.).

The subordinated loans from related entities in the above table have no fixed maturity dates. Subordinated loans from related entities that constitute part of the lower tier two capital are repayable on five years and one day's notice. No request to repay the loans has been received during the three months ended 30 June 2008. Subordinated loans from related entities that constitute part of the upper tier two capital can be repaid only at the Bank's option, subject to certain conditions, at any time on seven days' notice.

On 15 June 2007, the Bank issued \$350 million subordinated bonds which are listed on the NZDX. The coupon rate on these bonds is 8.42% p.a., payable semi-annually in arrears based on the fixed coupon rate. These bonds have a maturity date of 15 June 2017, but can be called by the Bank on 15 June 2012. If the bonds are not called by the Bank on 15 June 2012, they will continue to pay interest to maturity at the five-year swap mid-rate plus 0.75% p.a.. Subordinated bonds with a face value of \$6 million were held by the Bank as at 30 June 2008 (30 June 2007: \$5 million; 30 September 2007: \$1 million). The amount shown in the above table is the fair value as at balance sheet date. As at 30 June 2008, these bonds carried an AA-credit rating by Standard & Poor's and an Aa3 credit rating by Moody's Investors Service.

Notes to and Forming Part of the Interim Financial Statements continued

Shareholders' Equity Notes

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 17 Shareholders' Equity			
Ordinary shareholder's equity at beginning of period	3,418	3,132	3,132
Perpetual preference shareholder's equity at beginning of period	-	-	-
Total shareholders' equity at beginning of period	3,418	3,132	3,132
Total recognised income and expense for the period	623	546	716
Transactions with owners during the period			
Proceeds from perpetual preference shares issued	450	-	-
Ordinary dividend	(388)	(430)	(430)
Perpetual preference dividend	(7)	-	-
Total transactions with owners during the period	55	(430)	(430)
Movement in shareholders' equity for the period	678	116	286
Total shareholders' equity at end of period	4,096	3,248	3,418
Note 18 Reserves			
Asset revaluation reserve	2	-	2
Foreign currency translation reserve	3	-	(1)
Available for sale investments revaluation reserve	42	-	-
Cash flow hedge reserve	5	33	25
Total reserves	52	33	26

Notes to and Forming Part of the Interim Financial Statements continued

Other Notes

Dollars in Millions	Consolidated						Total Carrying Amount Unaudited 30/6/08
	At Fair Value Through Profit or Loss		Hedging	Available For Sale	Held to Maturity	Loans and Receivables	
	Trading Unaudited 30/6/08	Designated on Initial Recognition Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08	
Note 19 Categories of Financial Assets and Financial Liabilities							
Financial assets							
Balances with central banks	-	-	-	-	-	1,356	1,356
Due from other financial institutions	-	147	-	-	-	491	638
Trading securities	2,409	-	-	-	-	-	2,409
Other money market placements	-	961	-	-	-	287	1,248
Loans and advances to customers	-	17,615	-	-	-	33,167	50,782
Derivative financial instruments	2,339	-	191	-	-	-	2,530
Amounts due from related entities	-	-	-	-	-	68	68
Other financial assets	-	-	-	68	-	353	421
Total financial assets	4,748	18,723	191	68	-	35,722	59,452

30/6/07 Unaudited

Financial assets							
Balances with central banks	-	48	-	-	-	1,073	1,121
Due from other financial institutions	-	7	-	-	-	365	372
Trading securities	1,354	-	-	-	-	-	1,354
Other money market placements	-	823	-	-	-	308	1,131
Investments – held to maturity	-	-	-	-	50	-	50
Loans and advances to customers	-	14,859	-	-	-	31,100	45,959
Derivative financial instruments	2,715	-	270	-	-	-	2,985
Amounts due from related entities	-	-	-	-	-	82	82
Other financial assets	-	-	-	-	-	253	253
Total financial assets	4,069	15,737	270	-	50	33,181	53,307

30/9/07 Audited

Financial assets							
Balances with central banks	-	230	-	-	-	1,554	1,784
Due from other financial institutions	-	20	-	-	-	335	355
Trading securities	1,874	-	-	-	-	-	1,874
Other money market placements	-	914	-	-	-	81	995
Loans and advances to customers	-	15,416	-	-	-	31,745	47,161
Derivative financial instruments	2,979	-	265	-	-	-	3,244
Amounts due from related entities	-	-	-	-	-	65	65
Other financial assets	-	-	-	-	-	255	255
Total financial assets	4,853	16,580	265	-	-	34,035	55,733

The table above presents the maximum exposure to credit risk of financial assets before taking into account any collateral held or other credit enhancements. For financial assets recognised on the balance sheet, the exposure to credit risk equals the carrying amount. For information on credit risk exposures relating to guarantees and credit related commitments refer to note 25.

Notes to and Forming Part of the Interim Financial Statements continued

Note 19 Categories of Financial Assets and Financial Liabilities continued

Dollars in Millions	Consolidated				
	At Fair Value Through Profit or Loss		Hedging	At Amortised Cost	Total Carrying Amount
	Trading	Designated on Initial Recognition			
	Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08	Unaudited 30/6/08
Financial liabilities					
Due to central banks and other financial institutions	-	126	-	736	862
Other money market deposits	-	14,620	-	-	14,620
Trading liabilities	60	-	-	-	60
Deposits from customers	-	-	-	26,192	26,192
Derivative financial instruments	2,332	-	165	-	2,497
Bonds and notes	-	6,629	-	-	6,629
Amounts due to related entities	-	-	-	3,135	3,135
Subordinated debt	-	340	-	905	1,245
Other financial liabilities	-	-	-	441	441
Total financial liabilities	2,392	21,715	165	31,409	55,681
30/6/07 Unaudited					
Financial liabilities					
Due to central banks and other financial institutions	-	160	-	735	895
Other money market deposits	-	12,426	-	-	12,426
Trading liabilities	11	-	-	-	11
Deposits from customers	-	-	-	23,767	23,767
Derivative financial instruments	2,842	-	78	-	2,920
Bonds and notes	-	4,867	-	-	4,867
Amounts due to related entities	-	-	-	3,674	3,674
Subordinated debt	-	348	-	905	1,253
Other financial liabilities	-	-	-	406	406
Total financial liabilities	2,853	17,801	78	29,487	50,219
30/9/07 Audited					
Financial liabilities					
Due to central banks and other financial institutions	-	312	-	445	757
Other money market deposits	-	13,839	-	-	13,839
Trading liabilities	62	-	-	-	62
Deposits from customers	-	-	-	24,173	24,173
Derivative financial instruments	3,135	-	94	-	3,229
Bonds and notes	-	5,634	-	-	5,634
Amounts due to related entities	-	-	-	3,217	3,217
Subordinated debt	-	362	-	905	1,267
Other financial liabilities	-	-	-	413	413
Total financial liabilities	3,197	20,147	94	29,153	52,591

Notes to and Forming Part of the Interim Financial Statements continued

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Note 20 Interest Earning and Discount Bearing Assets and Liabilities and Ranking of Liabilities			
Interest earning and discount bearing assets	56,624	50,316	52,383
Interest and discount bearing liabilities	52,127	46,171	48,152

Ranking of liabilities

The deposit liabilities reported in these interim financial statements by the Banking Group are unsecured and rank equally with the Banking Group's other unsecured liabilities. Other liabilities of \$121 million as at 30 June 2008 (30 June 2007: \$105 million; 30 September 2007: \$121 million) rank in priority to general creditors' claims in a winding up of the Bank. Subordinated debt with a carrying value totalling \$1,245 million as at 30 June 2008 (30 June 2007: \$1,253 million; 30 September 2007: \$1,267 million) ranks behind the claims of all other creditors in a winding up. Included in liabilities are obligations of the Bank under repurchase agreements where the Bank has agreed to repurchase Government stock totalling \$260 million as at 30 June 2008 (30 June 2007: \$295 million; 30 September 2007: \$5 million). The Bank held no secured deposits as at 30 June 2008 (30 June 2007: nil; 30 September 2007: nil).

Note 21 Forward Commitments to Purchase Securities

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Forward purchases of securities	77	62	65

Notes to and Forming Part of the Interim Financial Statements continued

Note 22 Contingent Liabilities and Credit Commitments

Bank of New Zealand and other income tax group members have a joint and several liability for the income tax liability of the income tax group. Bank of New Zealand is not expected to incur any additional tax liability as a result of this joint and several liability.

Contingent liabilities and credit commitments exist in respect of commitments to extend credit, letters of credit and financial guarantees, as well as claims, potential claims and court proceedings against entities in the Banking Group. With the exception of the amended assessments from the Inland Revenue Department (the "IRD") in relation to structured finance transactions disclosed below, any potential liability arising in respect of these claims cannot be accurately assessed. Where some loss is probable appropriate provisions have been made.

On 31 July 2006, the Bank sold 100% of the share capital in Custom Fleet (NZ) Limited. The Bank provided limited indemnities regarding certain sale-related warranties and the performance of Custom Fleet (NZ) Limited prior to 31 July 2006. These indemnities are valid for a period of not longer than seven years from the date of sale.

The principal amount of the Banking Group's derivative and off-balance sheet exposures as at 30 June 2008 (excluding sold puts and sold calls on foreign exchange option contracts, interest rate contracts and other option contracts) is disclosed in note 25.

The notional amount of sold puts and sold calls outstanding as at the off-quarter balance sheet date comprised:

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Foreign exchange option contracts	1,667	2,259	2,198
Interest rate option contracts	1,947	1,223	1,880

New Zealand structured finance transactions

Following an IRD review of certain structured finance transactions in the banking industry, the Bank and some of its wholly owned controlled entities have received amended tax assessments for the 1998 to 2005 years from the IRD with respect to certain structured finance transactions. The amended assessments are for income tax of \$416 million. In addition, as at 30 June 2008, interest of \$208 million (net of tax) will be payable. The possible application of penalties has yet to be considered by the IRD.

The New Zealand Government introduced new legislation, effective 1 July 2005, which addresses their concerns with banks entering into these transactions. All of the structured finance transactions of the Banking Group that are the subject of the IRD's review were terminated by that date.

The Banking Group is confident that its position in relation to the application of the taxation law is correct and it is disputing the IRD's position with respect to these transactions. The Banking Group has obtained independent legal opinions that confirm that the transactions complied with New Zealand tax law. The transactions are similar to transactions undertaken by other New Zealand banks. The Banking Group has commenced legal proceedings to challenge the IRD's assessments.

The financial effect of the unpaid balance of the amounts owing under the amended assessments has not been brought to account in the interim financial statements for the nine months ended 30 June 2008.

Commerce Commission

In November 2006, the New Zealand Commerce Commission (the "Commission") filed civil proceedings against a number of financial institutions, including Bank of New Zealand, for alleged breaches of the Commerce Act 1986 relating to credit card interchange fees and other related practices.

The Commission has sought declarations from the Court that the conduct of the defendants in relation to the fees and rules contravenes provisions of the Commerce Act 1986. The Commission also sought to vary existing contracts between the defendants by removing aspects of the Visa and MasterCard rules, together with injunctions restraining the defendants from giving effect to those rules. In addition, the Commission has sought that the defendants pay a penalty for these alleged breaches of the Commerce Act 1986.

Notes to and Forming Part of the Interim Financial Statements continued

Note 22 Contingent Liabilities and Credit Commitments continued

In addition to the Commission's proceedings, a group of seven retailers issued proceedings to the same defendants for damages under the Commerce Act 1986 on a similar basis to that alleged by the Commission. The retailers have sought an order for an inquiry into the loss or damage the retailers may have suffered as a result of the defendants' conduct, and also exemplary damages.

Both matters are being defended. These actions follow an industry-wide investigation into arrangements supporting the functioning of payment systems operated in New Zealand and internationally by Visa and MasterCard. As at the date of the signing of this General Short Form Disclosure Statement, any possible liability that the Bank may face cannot be reliably measured and therefore no provision has been made in relation to these matters in the General Short Form Disclosure Statement for the nine months ended 30 June 2008.

Note 23 Credit Exposures to Connected Persons and Non-bank Connected Persons

The Reserve Bank of New Zealand defines Connected Persons to be other members of the National Australia Bank Limited Group and Directors of the Bank. Controlled entities of the Bank are not connected persons. Credit exposures to connected persons have been derived in accordance with the Banking Group's Conditions of Registration and are net of allowance for impairment losses on individual financial assets and exclude advances of a capital nature. Credit exposures to connected persons reported in the table below are on a gross basis.

Dollars in Millions	Consolidated					
	As At Unaudited 30/6/08	As At Unaudited 30/6/07	As At Audited 30/9/07	Peak for 3 Months Ended Unaudited 30/6/08	Peak for 3 Months Ended Unaudited 30/6/07	Peak for 3 Months Ended Audited 30/9/07
Credit exposure to connected persons	901	714	984	1,184	906	1,256
Credit exposure to connected persons expressed as a percentage of tier one capital of the Banking Group at end of period	23.2%	22.8%	29.9%	30.4%	28.9%	38.1%
Credit exposure to non-bank connected persons	-	-	-	-	1	-
Credit exposure to non-bank connected persons expressed as a percentage of tier one capital of the Banking Group at end of period	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

As at 30 June 2008, the Banking Group's rating-contingent limit was 75% of the Banking Group's tier one capital. There were no changes to this limit during the three months ended 30 June 2008. Within the overall rating-contingent limit, there is a sublimit of 15% of tier one capital which applies to aggregate credit exposures to non-bank connected persons.

The rating-contingent limit on credit exposures to connected persons as set out in the Bank's Conditions of Registration has been complied with at all times during the three months ended 30 June 2008.

Where a bank is funding a large loan it is common practice to share the risk of a customer default with other connected banks. These arrangements are called risk lay-off arrangements. As at 30 June 2008, the Banking Group had contingent credit exposures of \$479 million (30 June 2007: \$437 million; 30 September 2007: \$957 million) arising from risk lay-off arrangements with connected persons. There were no allowances for impairment losses on individual financial assets provided against credit exposures to connected persons as at 30 June 2008 (30 June 2007: nil; 30 September 2007: nil).

Notes to and Forming Part of the Interim Financial Statements continued

Note 24 Concentrations of Credit Exposures to Individual Counterparties and Groups of Closely Related Counterparties

The Banking Group's disclosure of concentrations of credit exposures to individual counterparties and groups of closely related counterparties is based on actual credit exposures and excludes credit exposures to connected persons and the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent. Peak credit exposures to individual counterparties are calculated using the Banking Group's end of period shareholders' equity.

Consolidated

Peak End of Day Credit Exposures to Individual Counterparties and Groups of Closely Related Counterparties

Percentage of Shareholders' Equity %	Number of Non-banks			Number of Banks		
	For the 3 Months Ended Unaudited 30/6/08	For the 3 Months Ended Unaudited 30/6/07	For the 3 Months Ended Audited 30/9/07	For the 3 Months Ended Unaudited 30/6/08	For the 3 Months Ended Unaudited 30/6/07	For the 3 Months Ended Audited 30/9/07
	10 - 19	1	2	2	5	7
20 - 29	-	-	-	1	1	2
30 - 39	-	-	-	1	2	1

Consolidated

Balance Sheet Date Credit Exposures to Individual Counterparties and Groups of Closely Related Counterparties

Percentage of Shareholders' Equity %	Number of Non-banks			Number of Banks		
	As At Unaudited 30/6/08	As At Unaudited 30/6/07	As At Audited 30/9/07	As At Unaudited 30/6/08	As At Unaudited 30/6/07	As At Audited 30/9/07
	10 - 19	1	1	2	2	3
20 - 29	-	-	-	1	-	1

Large exposure – credit ratings

Consolidated

Dollars in Millions	As At Unaudited 30/6/08	As At Unaudited 30/6/08	As At Unaudited 30/6/07	As At Unaudited 30/6/07	As At Audited 30/9/07	As At Audited 30/9/07
	\$	%	\$	%	\$	%
Non-banks						
Exposures of investment grade credit rating	630	100	543	100	939	100
Total non-banks exposures	630	100	543	100	939	100
Banks						
Exposures of investment grade credit rating	2,402	100	1,246	100	1,737	100
Total banks exposures	2,402	100	1,246	100	1,737	100

Where the Banking Group is making large loans it is common practice to share the risk of a customer default with other connected banks or enter into other risk lay-off arrangements. The above tables have been compiled using gross exposures before risk lay-offs.

Notes to and Forming Part of the Interim Financial Statements continued

Note 25 Capital Adequacy

The Bank is subject to the capital requirements for registered banks as specified by the Reserve Bank of New Zealand.

Regulatory capital

Dollars in Millions	Consolidated		
	Unaudited 30/6/08	Unaudited 30/6/07	Audited 30/9/07
Qualifying capital			
Tier one capital			
Contributed equity – ordinary shareholder	1,451	1,451	1,451
Contributed equity – perpetual preference shareholder	450	-	-
Audited retained profits (gross of ordinary and perpetual preference dividends paid)	2,357	2,016	2,371
Deduct: Ordinary dividend paid	207	252	430
Deduct: Perpetual preference dividend paid	7	-	-
Deductions from tier one capital:			
Credit risk adjustment on liabilities designated at fair value through profit or loss	60	(5)	7
Intangible assets	74	66	69
Prepaid pension assets (net of deferred tax)	18	20	21
Total tier one capital	3,892	3,134	3,295
Upper tier two capital			
Unaudited retained profits (gross of ordinary and perpetual preference dividends paid)	181	178	-
Revaluation reserves	47	-	1
Subordinated loans from related entities	190	190	190
Deduct: Ordinary dividend paid	181	178	-
Total upper tier two capital	237	190	191
Lower tier two capital			
Subordinated loans from related entities	715	715	715
Other subordinated debt	340	348	362
Total lower tier two capital	1,055	1,063	1,077
Total tier two capital	1,292	1,253	1,268
Total tier one and tier two capital	5,184	4,387	4,563
Total qualifying capital	5,184	4,387	4,563
Total risk-weighted exposures	49,015	41,055	40,996
Regulatory capital ratios			
Total tier one capital of the Banking Group expressed as a percentage of total risk-weighted exposures	7.94%	7.63%	8.04%
Minimum percentage of tier one capital to risk-weighted exposures permitted under Bank of New Zealand's Conditions of Registration	4.00%	4.00%	4.00%
Total qualifying capital of the Banking Group expressed as a percentage of total risk-weighted exposures	10.58%	10.69%	11.13%
Minimum percentage of qualifying capital to risk-weighted exposures permitted under Bank of New Zealand's Conditions of Registration	8.00%	8.00%	8.00%

Notes to and Forming Part of the Interim Financial Statements continued

Note 25 Capital Adequacy continued

Calculation of balance sheet exposures

Dollars in Millions	Consolidated		
	Principal Amount Unaudited 30/6/08	Risk Weighting Unaudited 30/6/08	Risk-Weighted Exposure Unaudited 30/6/08
Cash and claims on qualifying central banks and governments with maturity within one year	2,895	0%	-
Claims on qualifying governments with maturity over one year	92	10%	9
Claims on banks and New Zealand local authorities	3,024	20%	605
Loans secured by residential mortgages*	25,529	50%	12,764
All other assets	26,099	100%	26,099
Non-risk-weighted assets	2,604	0%	-
Total assets	60,243		39,477
Exposures arising from funding provided to securitisation entities (refer to note 26)	73	100%	73
Total assets for capital adequacy purposes	60,316		39,550

Calculation of off-balance sheet exposures

Dollars in Millions	Principal Amount Unaudited 30/6/08	Credit Conversion Factor Unaudited 30/6/08	Credit Equivalent Amount Unaudited 30/6/08	Average Counterparty Risk Weight Unaudited 30/6/08	Risk-Weighted Exposure Unaudited 30/6/08
Direct credit substitutes	380	100%	380	100%	380
Commitments with certain drawdown	11	100%	11	100%	11
Transaction related contingent liabilities	387	50%	193	100%	193
Short-term, self liquidating trade related contingencies	105	20%	21	100%	21
Commitments for financial services:					
Maturity is greater than one year	6,442	50%	3,221	86%	2,782
Maturity is less than one year or can be cancelled at any time	6,855	0%	-	-	-
Market related contracts:**					
Foreign exchange contracts	79,772	-	2,293	26%	586
Interest rate contracts	263,045	-	2,242	21%	473
Other	413	-	26	27%	7
Total off-balance sheet items	357,410		8,387		4,453
Total risk-weighted exposures (required by BS2 capital adequacy framework)					44,003
Operational risk implied risk-weighted exposure (required by BS2B capital adequacy framework)***					5,012
Total risk-weighted exposures					49,015

* The methodology used to derive Loans secured by residential mortgages was revised in the year ended 30 September 2007 to reflect greater data transparency. Comparative data as at 30 June 2007 has not been restated.

** The Banking Group uses the Current Exposure Method under the Reserve Bank of New Zealand's capital adequacy guidelines to calculate the credit equivalent of derivative financial instruments.

*** The Banking Group has implemented the Advanced Measurement Approach to operational risk under the BS2B capital adequacy framework and is required to hold capital for this purpose. The amount shown above represents the implied risk-weighted exposure and is calculated by multiplying the total operational risk capital requirement of approximately \$401 million by 12.5.

Notes to and Forming Part of the Interim Financial Statements continued

Note 25 Capital Adequacy continued

Calculation of balance sheet exposures

Dollars in Millions	Consolidated		
	Principal Amount Unaudited 30/6/07	Risk Weighting Unaudited 30/6/07	Risk-Weighted Exposure Unaudited 30/6/07
Cash and claims on qualifying central banks and governments with maturity within one year	2,588	0%	-
Claims on qualifying governments with maturity over one year	69	10%	7
Claims on banks and New Zealand local authorities	1,326	20%	265
Loans secured by residential mortgages*	22,505	50%	11,253
All other assets	24,405	100%	24,405
Non-risk-weighted assets	3,051	0%	-
Total assets	53,944		35,930

Calculation of off-balance sheet exposures

Dollars in Millions	Principal Amount Unaudited 30/6/07	Credit Conversion Factor Unaudited 30/6/07	Credit Equivalent Amount Unaudited 30/6/07	Average Counterparty Risk Weight Unaudited 30/6/07	Risk-Weighted Exposure Unaudited 30/6/07
	Direct credit substitutes	411	100%	411	100%
Commitments with certain drawdown	2	100%	2	100%	2
Transaction related contingent liabilities	334	50%	167	100%	167
Short-term, self liquidating trade related contingencies	66	20%	13	100%	13
Commitments for financial services:					
Maturity is greater than one year	7,921	50%	3,961	87%	3,442
Maturity is less than one year or can be cancelled at any time	7,113	0%	-	-	-
Market related contracts:**					
Foreign exchange contracts	54,978	-	2,059	27%	551
Interest rate contracts	224,765	-	2,582	21%	536
Other	288	-	16	19%	3
Total off-balance sheet items	295,878		9,211		5,125
Total risk-weighted exposures (required by BS2 capital adequacy framework)					41,055

* The methodology used to derive Loans secured by residential mortgages was revised in the year ended 30 September 2007 to reflect greater data transparency. Comparative data as at 30 June 2007 has not been restated.

** The Banking Group uses the Current Exposure Method under the Reserve Bank of New Zealand's capital adequacy guidelines to calculate the credit equivalent of derivative financial instruments.

Notes to and Forming Part of the Interim Financial Statements continued

Note 25 Capital Adequacy continued

Calculation of balance sheet exposures

Dollars in Millions	Consolidated		
	Principal Amount Audited 30/9/07	Risk Weighting Audited 30/9/07	Risk-Weighted Exposure Audited 30/9/07
Cash and claims on qualifying central banks and governments with maturity within one year	2,790	0%	-
Claims on qualifying governments with maturity over one year	52	10%	5
Claims on banks and New Zealand local authorities	2,741	20%	548
Loans secured by residential mortgages*	24,316	50%	12,158
All other assets	23,163	100%	23,163
Non-risk-weighted assets	3,313	0%	-
Total assets	56,375		35,874
Exposures arising from funding provided to securitisation entities (refer to note 26)	146	100%	146
Total assets for capital adequacy purposes	56,521		36,020

Calculation of off-balance sheet exposures

Dollars in Millions	Principal Amount Audited 30/9/07	Credit Conversion Factor Audited 30/9/07	Credit Equivalent Amount Audited 30/9/07	Average Counterparty Risk Weight Audited 30/9/07	Risk-Weighted Exposure Audited 30/9/07
Direct credit substitutes	419	100%	419	100%	419
Commitments with certain drawdown	5	100%	5	100%	5
Transaction related contingent liabilities	338	50%	169	100%	169
Short-term, self liquidating trade related contingencies	75	20%	15	100%	15
Commitments for financial services:					
Maturity is greater than one year	7,327	50%	3,664	87%	3,197
Maturity is less than one year or can be cancelled at any time	7,314	0%	-	-	-
Market related contracts:**					
Foreign exchange contracts	67,107	-	2,595	25%	645
Interest rate contracts	235,838	-	2,500	21%	522
Other	385	-	20	20%	4
Total off-balance sheet items	318,808		9,387		4,976
Total risk-weighted exposures (required by BS2 capital adequacy framework)					40,996

* The methodology used to derive Loans secured by residential mortgages was revised in the year ended 30 September 2007 to reflect greater data transparency. Comparative data as at 30 June 2007 has not been restated.

** The Banking Group uses the Current Exposure Method under the Reserve Bank of New Zealand's capital adequacy guidelines to calculate the credit equivalent of derivative financial instruments.

Note 26 Securitisation, Funds Management, Other Fiduciary Activities, and the Marketing and Distribution of Insurance Products

Funds management

During the nine months ended 30 June 2008, the Bank marketed the products of Assure Funds Management Limited (formerly known as BNZ Investment Management Limited) through its branch network and derived commission from the sale and retention of superannuation schemes and unit trusts marketed on behalf of Assure Funds Management Limited.

The Bank also provides services to a number of clients which include advice on, administration and management of investment portfolios.

Notes to and Forming Part of the Interim Financial Statements continued

Note 26 Securitisation, Funds Management, Other Fiduciary Activities, and the Marketing and Distribution of Insurance Products continued

Marketing and distribution of insurance products

The Banking Group is involved in marketing insurance products for the following entities: BNZ Life Insurance Limited, American Home Assurance Company (New Zealand Branch), The National Mutual Life Association of Australasia Limited ("AXA"), IAG New Zealand Limited and affiliated trading entities NZI and NAC, Cigna Life Insurance New Zealand Limited, Zurich Australian Insurance Limited, QBE Insurance (International) Limited, Lumley General Insurance (NZ) Limited and Vero Insurance NZ Limited.

All of these entities are unrelated to the Banking Group, with the exception of BNZ Life Insurance Limited, a controlled entity of National Australia Bank Limited, which is an Affiliated Insurance Entity as defined in the Reserve Bank of New Zealand Capital Adequacy Framework (BS2).

The Banking Group derives commission income from the sale of insurance products marketed on behalf of the above named entities, with the exception of American Home Assurance Company (New Zealand Branch), PMI Mortgage Insurance Limited and Zurich Australian Insurance Limited.

Securitisation

The Banking Group has not securitised any of its own assets. The Banking Group has arranged the securitisation of certain corporate customers' assets and provides banking services to corporate customers' securitisation vehicles. The Bank services unrelated securitisation arrangements and seconds staff to entities which market and service securitisation activities. It provides interest rate derivatives to securitisation arrangements and leases premises to an unrelated securitisation vehicle. It may also purchase assets at fair value from entities which conduct securitisation activities. All transactions have taken place on arm's length terms and conditions.

The Banking Group's involvement in securitisation activities is subject to internal credit, compliance and legal approval processes to ensure that any difficulties arising from the securitisation activities do not impact adversely on the Banking Group, beyond that which is normal for arm's length commercial relationships.

As at 30 June 2008, securitisation arrangements in which the Banking Group has been involved to the extent detailed above amounted to \$2,259 million (30 June 2007: \$2,170 million; 30 September 2007: \$2,234 million).

Peak aggregate funding provided to entities

The Bank does not provide any funding to individual unit trusts which the Banking Group distributes on behalf of third parties.

Peak end of day aggregate funding (including funding provided by the purchase of securities) provided by the Banking Group to individual affiliated insurance entities and entities involved in securitisation activities is disclosed in the table below:

	Consolidated								
	Peak End of Day Aggregate Amount of Funding During the Period			Peak End of Day Aggregate Amount of Funding During the Period Expressed as a Percentage of the Amount of the Entity's Assets at End of Period			Peak End of Day Aggregate Amount of Funding During the Period Expressed as a Percentage of the Banking Group's Tier One Capital at End of Period		
	Dollars in Thousands								
For the 3 Months Ended Unaudited 30/6/08	For the 3 Months Ended Unaudited 30/6/07	For the 3 Months Ended Audited 30/9/07	For the 3 Months Ended Unaudited 30/6/08	For the 3 Months Ended Unaudited 30/6/07	For the 3 Months Ended Audited 30/9/07	For the 3 Months Ended Unaudited 30/6/08	For the 3 Months Ended Unaudited 30/6/07	For the 3 Months Ended Audited 30/9/07	
BNZ Life Insurance Limited	-	1,344	10,000	-	1.9%	19.1%	-	0.0%	0.3%
Speirs Securities Limited	87,400	-	41,846	60.5%	-	30.7%	2.2%	-	1.3%
Gough Securities Limited (formerly Securitised Equipment Receivables Limited)	3,900	-	34,806	2.2%	-	20.2%	0.1%	-	1.1%
Perpetual Trust Limited	195,000	-	-	96.3%	-	-	5.0%	-	-

Notes to and Forming Part of the Interim Financial Statements continued

Note 27 Risk Management Policies

In the three months prior to the off-quarter balance sheet date there has been no material change in the Banking Group's policies for managing:

- credit risk, including concentrations of credit risk, intra-day credit risk, credit risk to bank counterparties and related party credit risk;
- currency risk;
- interest rate risk;
- equity risk;
- liquidity risk;
- operational risk; and
- other material business risks to which the Banking Group is exposed.

In the three months prior to the off-quarter balance sheet date the Banking Group had not become exposed to any new category of risk to which the Banking Group was not previously exposed.

Credit Ratings

Bank of New Zealand has the following credit ratings applicable to its long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's (Australia) Pty Limited	AA	Outlook Negative
Moody's Investors Service, Inc	Aa2	Outlook Stable

During the two-year period ended 30 June 2008, the Standard & Poor's credit rating changed from AA- Outlook Stable to AA- CreditWatch Positive on 8 November 2006, then from AA- CreditWatch Positive to AA Outlook Stable on 22 February 2007. Subsequent to balance sheet date, on 25 July 2008, the credit rating changed from AA Outlook Stable to AA Outlook Negative.

During the two-year period ended 30 June 2008, the Moody's Investors Service credit rating changed from Aa3 Outlook Stable to Aa2 Outlook Stable on 11 May 2007.

The following is a summary of the descriptions of the major ratings categories for each rating agency for the rating of long-term senior unsecured obligations.

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

Credit ratings by Standard & Poor's may be modified by the addition of a plus or minus sign to show relative standing with the major rating categories. Moody's Investors Service apply numeric modifiers 1, 2 and 3 to show relative standing within the major rating categories with 1 indicating the higher end of that category and 3 indicating the lower end.

Conditions of Registration

The conditions of registration imposed on Bank of New Zealand by the Reserve Bank of New Zealand pursuant to section 74 of the Reserve Bank of New Zealand Act 1989 which were applicable as at the date of signing of this General Short Form Disclosure Statement are as follows:

Conditions of registration as from 24 April 2008 – Bank of New Zealand

The registration of Bank of New Zealand (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 is not less than 8 percent;
 - (b) the tier one capital ratio of the Banking Group is not less than 4 percent; and
 - (c) the capital of the Banking Group is not less than \$15 million.

For the purposes of this condition of registration:

- (a) the total capital ratio is defined as $\text{capital} \times 100 / ((12.5 \times \text{total capital requirement for operational risk} + \text{risk-weighted exposures});$
- (b) the tier one capital ratio is defined as $\text{tier one capital} \times 100 / (12.5 \times \text{total capital requirement for operational risk} + \text{risk-weighted exposures});$
- (c) capital, tier one capital and risk-weighted exposures are to be calculated in accordance with the Reserve Bank of New Zealand document: “Capital adequacy framework (Basel I approach)” (BS2) dated March 2008; and
- (d) the total capital requirement for operational risk is to be calculated in accordance with the Reserve Bank of New Zealand document “Capital adequacy framework (internal models based approach)” (BS2B) dated March 2008.

1A: That:

- (a) with effect from 1 July 2008 the Bank has an internal capital adequacy assessment process (“ICAAP”) that accords with the requirements set out in the document “Guidelines on a Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)” (BS12) dated December 2007;
- (b) with effect from 1 July 2008, 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 as defined in Condition of Registration 1; and
- (c) with effect from 1 July 2008, the Bank determines an internal capital allocation for each identified and measured “other material risk”.

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.
3. That the Banking Group’s insurance business is not greater than 1 percent of its total consolidated assets. For the purposes of this condition:
 - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1) (a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the 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.

Conditions of Registration continued

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	Connected exposure limit (percentage of the Banking Group's tier one capital)
AA / Aa2 and above	75
AA- / Aa3	70
A+ / A1	60
A / A2	40
A- / A3	30
BBB+ / Baa1 and below	15

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 registered bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the registered bank, and who is not a director, trustee or employee of any holding company of the registered bank, or any other entity capable of controlling or significantly influencing the registered bank.
7. That the chairperson of the Bank's board is not an employee of the registered 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 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:
- the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - the Reserve Bank has advised that it has no objection to that appointment.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank will not, without first obtaining the written approval of the Reserve Bank, revoke the constitution of BNZ International Funding Limited or alter the constitution of BNZ International Funding Limited if such alteration would delete or amend or negate the effect of clause 2.2 of the constitution.

12. That:

- the business and affairs of the Bank are managed by, or under the direction or supervision of, the Board of the Bank;
- 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 decisions relating to the employment or termination of employment of the CEO are made by, the Board of the Bank;
- 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 the Bank of New Zealand's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

Changes in conditions of registration

The following changes have been made to the Bank's conditions of registration during the nine months ended 30 June 2008:

Condition 1 (effective date 31 March 2008): This condition relating to capital adequacy has been revised, adding a new capital requirement for Operational Risk derived in accordance with the advanced measurement approach within the Reserve Bank of New Zealand's Basel II capital adequacy framework. This followed the Bank's accreditation to use the advanced measurement approach for Operational Risk from the first quarter of 2008;

Condition 1A (effective date 24 April 2008): This is a new condition requiring the Bank to have an ICAAP that accords with BS12. This condition replaces previous condition 1A which took effect as at 31 March 2008 and required an ICAAP to apply from that March date. The Reserve Bank of New Zealand has advised that the Bank is not required to be compliant with the BS12 guidelines until the Bank is fully subject to the Basel II capital adequacy framework. Therefore on 24 April 2008, the Reserve Bank of New Zealand removed the previous March condition 1A and replaced it with the current condition 1A which requires the Bank to have an ICAAP that is compliant with BS12 by 1 July 2008;

Conditions of Registration continued

Condition 4 (effective date 31 March 2008): this condition has been amended to refer to a revised version of the Reserve Bank of New Zealand document “Connected exposures policy” (BS8) and is a consequential change to ensure that connected exposure limits link with the new capital requirements (as defined in condition of registration 1);

Condition 12 (effective date 31 March 2008): this is a new condition which addresses the accountability requirements of the Reserve Bank of New Zealand’s outsourcing policy BS11.

Directors' Statement

The Directors of Bank of New Zealand (the "Bank") state that each Director of the Bank believes, after due enquiry, that:

1. as at the date on which the Short Form Disclosure Statement is signed:
 - a) the Short Form Disclosure Statement contains all the information that is required by the Order; and
 - b) the Short Form Disclosure Statement is not false or misleading; and
2. during the nine months ended 30 June 2008:
 - a) the Bank has complied with its Conditions of Registration applicable during that period (subject to the explanatory note for Condition of Registration 1A in 'Changes in conditions of registration' on page 34);
 - b) credit exposures to connected persons (refer to note 23 on page 24) were not contrary to the interests of the Banking Group; and
 - c) the Bank 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 Short Form Disclosure Statement is dated at Auckland this 15th day of August 2008 and signed by Messrs. McDonald and Clyne as Directors and as responsible persons on behalf of all the other Directors.



T K McDonald
Chairman



C A Clyne
Managing Director and Chief Executive Officer

