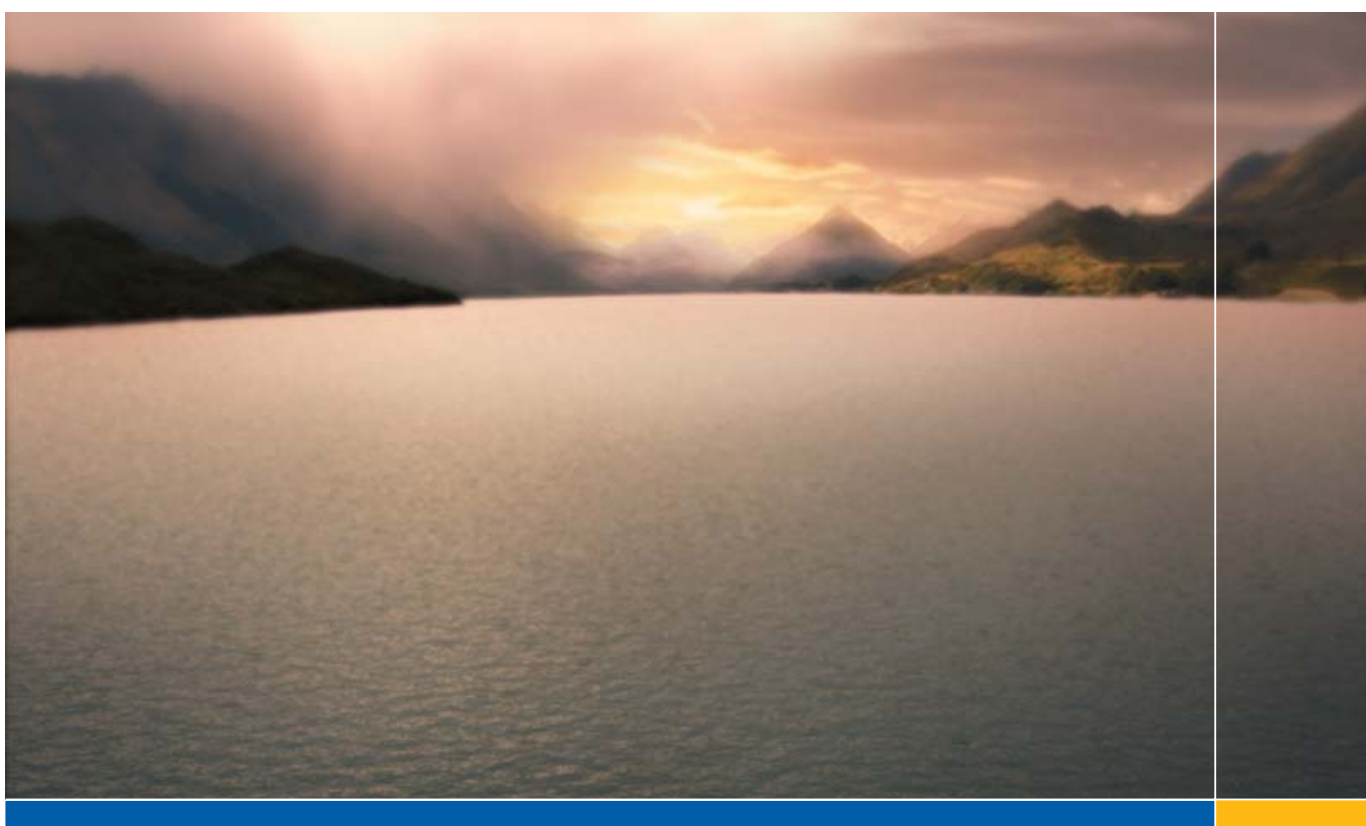


Bank of New Zealand General Short Form Disclosure Statement

For the three months ended 31 December 2007



General Short Form Disclosure Statement

For the three months ended 31 December 2007

This General Short Form Disclosure Statement has been issued by Bank of New Zealand for the three months ended 31 December 2007 in accordance with the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2007 (the “Order”).

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 5(7) of the Securities Markets Act 1988. Section 5 of the Securities Markets Act 1988 has been substituted as from 29 February 2008, by section 4 of the Securities Markets Amendment Act 2006 (2006 No 47).

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 31.

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

The name, occupation, technical or professional qualifications, country of residence, date of appointment, and directorships of the Director of the Bank appointed since the date of the previous Disclosure Statement, being 13 December 2007, are as follows:

Independent Non-Executive Director

John Anthony Waller
Chartered Accountant
B.Com., CA
New Zealand

Directorships:

Arnold Limited; Essential Holdings Limited; E-Travel Technology Solutions Limited; Network Travel International Limited; Oldco Business Limited; Oldco PTI Limited; Oldco TT Limited; Pacific Travel Group Limited; PricewaterhouseCoopers Corporate Finance Limited; PricewaterhouseCoopers Nominee Company; PWC Administration Limited; Tek Management Services Limited; Travel Online Limited; Vyse Equities Limited

Appointed as a Director on 22 January 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 year ended 30 September 2007, 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
Heughan Bassett Rennie, C.B.E., Q.C.
Janine Laurel Smith
John Douglas Storey, O.N.Z.M.
Michael James Ullmer
John Anthony Waller

Income Statement

For the three months ended 31 December 2007

Dollars in Millions	Note	Consolidated		
		Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Interest income		1,281	1,038	4,394
Interest expense		944	743	3,192
Net interest income		337	295	1,202
Gains less losses on financial instruments at fair value	2	28	63	246
Other operating income		94	104	372
Total operating income		459	462	1,820
Operating expenses		189	182	751
Total operating profit before impairment losses on credit exposures and income tax expense		270	280	1,069
Impairment losses on credit exposures	11	12	5	52
Total operating profit before income tax expense		258	275	1,017
Income tax expense		87	89	334
Net profit attributable to shareholder of Bank of New Zealand		171	186	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 three months ended 31 December 2007

Dollars in Millions	Note	Consolidated		
		Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Changes in items recognised directly in equity during the period				
Net actuarial gain/(loss) on defined benefit pension plan		-	-	2
Net transfer from asset revaluation reserve to retained profits		-	-	-
Net change in asset revaluation reserve		-	-	2
Net change in foreign currency translation reserve		1	(4)	(7)
Net change in cash flow hedge reserve		27	(2)	36
Total changes in items recognised directly in equity during the period		28	(6)	33
Net profit attributable to shareholder of Bank of New Zealand		171	186	683
Total recognised income and expense for the period	17	199	180	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 31 December 2007

Dollars in Millions	Note	Consolidated		
		Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Assets				
Cash and balances with central banks	5	3,310	849	1,908
Due from other financial institutions	6	399	825	355
Trading securities	7	2,798	2,732	1,874
Other money market placements	8	1,019	1,058	995
Investments – held to maturity	9	-	50	-
Loans and advances to customers	10	47,598	42,875	47,161
Derivative financial instruments		3,152	1,962	3,244
Amounts due from related entities		52	107	65
Current tax		-	-	11
Deferred tax		58	45	67
Property, plant and equipment		82	74	81
Goodwill and other intangible assets		71	65	69
Other assets		651	545	545
Total assets		59,190	51,187	56,375
Financed by:				
Liabilities				
Due to central banks and other financial institutions	13	1,266	1,296	757
Other money market deposits	14	15,830	11,140	13,839
Trading liabilities		7	120	62
Deposits from customers	15	24,762	22,862	24,173
Derivative financial instruments		3,107	2,143	3,229
Bonds and notes		5,711	4,591	5,634
Amounts due to related entities		2,822	4,067	3,217
Current tax		54	78	-
Subordinated debt	16	1,248	1,205	1,267
Other liabilities		944	588	779
Total liabilities		55,751	48,090	52,957
Shareholder's equity				
Contributed equity		1,451	1,451	1,451
Reserves	18	54	(11)	26
Retained profits		1,934	1,657	1,941
Total shareholder's equity	17	3,439	3,097	3,418
Total liabilities and shareholder's equity		59,190	51,187	56,375

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

The contributed equity is 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 three months ended 31 December 2007

Dollars in Millions	Consolidated		
	Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Cash flows from operating activities			
Cash was provided from:			
Dividend income	-	-	2
Interest income	1,290	1,012	4,343
Net trading income and derivative financial instruments	37	124	191
Other income	94	104	370
Cash was applied to:			
Interest expense	(880)	(749)	(3,123)
Operating expenses	(213)	(200)	(704)
Net cash flows from operating activities before changes in operating assets and liabilities	328	291	1,079
Changes in operating assets and liabilities arising from cash flow movements			
Cash was provided from:			
Decrease in due from other financial institutions (term)*	-	130	144
Decrease in other assets	-	8	13
Increase in deposits from customers*	589	441	1,752
Increase in due to central banks and other financial institutions (term)*	54	-	-
Increase in other liabilities	171	-	-
Cash was applied to:			
Decrease in due to central banks and other financial institutions (term)*	-	(1)	(78)
Decrease in other liabilities	-	(100)	(18)
Increase in balances with central banks (term)*	-	(55)	(81)
Increase in due from other financial institutions (term)*	(52)	-	-
Increase in loans and advances to customers*	(469)	(835)	(5,198)
Increase in other assets	(112)	-	-
Increase in other money market placements*	(24)	(167)	(104)
Increase in trading securities and trading liabilities*	(970)	(1,627)	(826)
Net change in operating assets and liabilities	(813)	(2,206)	(4,396)
Net cash flows from operating activities before income tax	(485)	(1,915)	(3,317)
Cash was applied to:			
Taxes and subvention payments	(27)	-	(374)
Net cash flows from operating activities	(512)	(1,915)	(3,691)

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

Cash Flow Statement continued

For the three months ended 31 December 2007

Dollars in Millions	Note	Consolidated		
		Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	-	17
Proceeds on maturity of investments – held to maturity		-	5	55
Cash was applied to:				
Acquisition of intangible assets		(6)	(5)	(24)
Purchase of property, plant and equipment		(6)	(5)	(26)
Net cash flows from investing activities		(12)	(5)	22
Cash flows from financing activities				
Cash was provided from:				
Increase in bonds and notes*		49	805	1,866
Increase in other money market deposits*		1,975	151	2,852
Increase in subordinated debt		-	-	349
Cash was applied to:				
Decrease in subordinated debt		(1)	-	(300)
Ordinary dividend		(178)	(215)	(430)
Other related entity funding*		(382)	(814)	(1,622)
Net cash flows from financing activities		1,463	(73)	2,715
Net increase/(decrease) in cash and cash equivalents		939	(1,993)	(954)
Cash and cash equivalents at beginning of period		1,413	2,367	2,367
Cash and cash equivalents at end of period		2,352	374	1,413
Cash and cash equivalents at end of period comprised:				
Cash and balances with central banks (call)	5	3,079	644	1,677
Due from other financial institutions (call)	6	101	565	109
Due to central banks and other financial institutions (call)	13	(828)	(835)	(373)
Total cash and cash equivalents		2,352	374	1,413

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

Cash Flow Statement continued

For the three months ended 31 December 2007

Dollars in Millions	Note	Consolidated		
		Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Reconciliation of net profit attributable to shareholder of Bank of New Zealand to net cash flows from operating activities				
Net profit attributable to shareholder of Bank of New Zealand		171	186	683
Add back non-cash items in net profit:				
Decrease in accrued interest receivable		9	-	-
Depreciation and amortisation expense		9	8	33
Impairment losses on credit exposures	11	12	5	52
Impairment losses on non-financial assets		-	-	6
Increase in accrued interest payable		64	-	69
Increase in other operating provisions		-	-	8
Increase in provision for tax		60	89	-
Unrealised gains less losses on financial instruments at fair value		9	61	-
Deduct non-cash items in net profit:				
Decrease in accrued interest payable		-	(6)	-
Decrease in other operating provisions		(33)	(26)	-
Decrease in provision for tax		-	-	(40)
Increase in accrued interest receivable		-	(26)	(51)
Unrealised gains less losses on financial instruments at fair value		-	-	(55)
Deduct operating cash flows not included in net profit:				
Net change in operating assets and liabilities		(813)	(2,206)	(4,396)
Net cash flows from operating activities		(512)	(1,915)	(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 three months ended 31 December 2007

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 year ended 30 September 2007.

These interim financial statements are general purpose financial reports prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2007, and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2007.

Reclassification of financial information

Deferred tax assets and deferred tax liabilities have been reclassified as at 31 December 2007 to be shown on a net basis on the balance sheet. This presentation aligns with industry practice. Comparative balances for 31 December 2006 have been restated accordingly.

Notes to and Forming Part of the Interim Financial Statements continued

Income Statement Notes

Dollars in Millions	Consolidated		
	Unaudited 3 Months 31/12/07	Unaudited 3 Months 31/12/06	Audited 12 Months 30/9/07
Note 2 Gains less Losses on Financial Instruments at Fair Value			
Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss	2	13	21
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	20	5	12
Ineffectiveness arising from hedging relationships	9	32	85
Net gain/(loss) attributable to other derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments	(4)	1	1
Bid/offer adjustment	-	-	1
Other	-	-	(1)
Other trading income:			
Foreign exchange trading derivatives	(13)	12	79
Interest rate related trading derivatives	23	-	48
Net gain/(loss) in the fair value of financial assets and liabilities held for trading	(9)	-	-
Total gains less losses on financial instruments at fair value	28	63	246

Included in the net gain in the fair value of financial assets designated at fair value through profit or loss for the three months ended 31 December 2007 is a \$20 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 (three months ended 31 December 2006: \$20 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 three months ended 31 December 2007 is a \$9 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 (three months ended 31 December 2006: 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. 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 three months ended 31 December 2007 (Unaudited)				
Segment revenue	352	89	18	459
Segment result	172	68	18	258
For the three months ended 31 December 2006 (Unaudited)				
Segment revenue	375	61	26	462
Segment result	207	43	25	275
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 Equity Investments Limited and BNZ Agricapital Limited, wholly owned controlled entities of Bank of New Zealand, were incorporated on 26 November 2007.

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 5 Cash and Balances with Central Banks			
Notes and coins	261	267	124
Transaction balances with central banks	2,818	377	1,553
Loans and advances to central banks	231	205	231
Total cash and balances with central banks	3,310	849	1,908
Cash and balances with central banks comprised:			
Call balances	3,079	644	1,677
Term balances	231	205	231
Total cash and balances with central banks	3,310	849	1,908
Cash and balances with central banks were recorded as:			
At amortised cost	3,079	644	1,678
Designated at fair value through profit or loss	231	205	230
Total cash and balances with central banks	3,310	849	1,908
Note 6 Due from Other Financial Institutions			
Transaction balances with other financial institutions	93	68	89
Securities purchased under agreements to resell with other financial institutions	226	166	146
Loans and advances due from other financial institutions	80	591	120
Total due from other financial institutions	399	825	355
Due from other financial institutions comprised:			
Call balances	101	565	109
Term balances	298	260	246
Total due from other financial institutions	399	825	355
Due from other financial institutions were recorded as:			
At amortised cost	392	321	335
Designated at fair value through profit or loss	7	504	20
Total due from other financial institutions	399	825	355
Note 7 Trading Securities			
Treasury bills	1,368	932	495
Government securities	20	115	29
Bank bills	608	1,405	564
Bank bonds	542	14	491
Promissory notes	167	242	207
Other securities	93	24	88
Total trading securities	2,798	2,732	1,874

Included in trading securities as at 31 December 2007 were assets of \$11 million encumbered through repurchase agreements (31 December 2006: \$89 million; 30 September 2007: \$3 million) and no assets used to secure deposit obligations (31 December 2006: \$45 million; 30 September 2007: nil).

Notes to and Forming Part of the Interim Financial Statements continued

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 8 Other Money Market Placements			
Money market placements with non-financial institutions	821	681	914
Securities purchased under agreements to resell with non-financial institutions	198	377	81
Total other money market placements	1,019	1,058	995
Other money market placements were recorded as:			
At amortised cost	198	377	81
Designated at fair value through profit or loss	821	681	914
Total other money market placements	1,019	1,058	995
Note 9 Investments – Held to Maturity			
Other securities	-	50	-
Total investments – held to maturity	-	50	-

Included in held to maturity investments as at 31 December 2007 were no assets encumbered through repurchase agreements (31 December 2006: nil; 30 September 2007: nil) and no assets used to secure deposit obligations (31 December 2006: nil; 30 September 2007: nil).

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 10 Loans and Advances to Customers			
Overdrafts	2,018	1,706	2,111
Credit card outstandings	1,340	1,301	1,239
Lease finance	32	13	33
Housing loans	23,387	20,999	22,913
Other term lending	20,965	18,962	20,996
Other lending	83	132	90
Total gross loans and advances to customers	47,825	43,113	47,382
Deduct:			
Allowance for impairment losses on loans and advances to customers	175	143	170
Unearned future income on lease finance	6	2	7
Deferred income	21	23	21
Hedge adjustment on fair value instruments	25	70	23
Total deductions	227	238	221
Total net loans and advances to customers	47,598	42,875	47,161
Total net loans and advances to customers were recorded as:			
At amortised cost	32,222	29,634	31,745
Designated at fair value through profit or loss	15,376	13,241	15,416
Total net loans and advances to customers	47,598	42,875	47,161

Notes to and Forming Part of the Interim Financial Statements continued

Dollars in Millions	Consolidated				
	Other Impaired Assets	Restructured Assets	Other Assets Under Administration	Past Due Assets	Total
	Unaudited 31/12/07	Unaudited 31/12/07	Unaudited 31/12/07	Unaudited 31/12/07	Unaudited 31/12/07
Note 11 Allowance for Impairment Losses on Credit Exposures					
Allowance for impairment losses on individual financial assets					
Balance at beginning of period	19	-	-	-	19
Charge to income statement	8	-	-	-	8
Amounts written off	(9)	-	-	-	(9)
Recovery of amounts written off in previous periods	2	-	-	-	2
Balance at end of period	20	-	-	-	20
Allowance for impairment losses on groups of financial assets					
Balance at beginning of period					151
Charge to income statement					4
Balance at end of period					155
Total allowance for impairment losses on credit exposures					175
31 December 2006 (Unaudited)					
Allowance for impairment losses on individual financial assets					
Balance at beginning of period	21	-	-	-	21
Charge to income statement	1	-	-	-	1
Amounts written off	(13)	-	-	-	(13)
Recovery of amounts written off in previous periods	2	-	-	-	2
Balance at end of period	11	-	-	-	11
Allowance for impairment losses on groups of financial assets					
Balance at beginning of period					128
Charge to income statement					4
Balance at end of period					132
Total allowance for impairment losses on credit exposures					143
30 September 2007 (Audited)					
Allowance for impairment losses on individual financial assets					
Balance at beginning of year	21	-	-	-	21
Charge to income statement	29	-	-	-	29
Amounts written off	(41)	-	-	-	(41)
Recovery of amounts written off in previous years	10	-	-	-	10
Balance at end of year	19	-	-	-	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

Notes to and Forming Part of the Interim Financial Statements continued

Note 11 Allowance for Impairment Losses on Credit Exposures continued

The tables on page 15 only reflect allowances for impairment losses on financial assets held at amortised cost recorded under Loans and advances to customers. Since 1 October 2005, credit 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. These credit adjustments are analysed in the table below:

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Credit risk adjustments for loans designated at fair value through profit or loss			
On individual financial assets			
Balance at beginning of period	5	2	2
Charge to income statement	-	-	3
Balance at end of period	5	2	5
On groups of financial assets			
Balance at beginning of period	43	27	27
Charge to income statement	3	4	16
Balance at end of period	46	31	43
Total credit risk adjustments for loans designated at fair value through profit or loss	51	33	48

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		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Other impaired assets	39	24	49
Restructured assets	-	-	-
Other assets under administration	3	1	2
Past due assets	81	34	68
Total pre-allowance balances	123	59	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 assets acquired through security enforcement as at 31 December 2007 (31 December 2006: nil; 30 September 2007: nil).

As at 31 December 2007, the Banking Group had loans with an outstanding balance of \$9 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 (31 December 2006: \$9 million; 30 September 2007: \$13 million).

Off-balance sheet impaired assets

There were no impaired off-balance sheet facilities as at 31 December 2007 (31 December 2006: nil; 30 September 2007: nil). No allowance for impairment losses on individual off-balance sheet credit related commitments had been made as at 31 December 2007 (31 December 2006: nil; 30 September 2007: nil).

Notes to and Forming Part of the Interim Financial Statements continued

Liability Notes

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 13 Due to Central Banks and Other Financial Institutions			
Transaction balances with other financial institutions	514	372	371
Securities sold under agreements to repurchase from other financial institutions	222	298	5
Deposits from central banks	481	126	205
Deposits from other financial institutions	49	500	176
Total due to central banks and other financial institutions	1,266	1,296	757
Due to central banks and other financial institutions comprised:			
Call balances	828	835	373
Term balances	438	461	384
Total due to central banks and other financial institutions	1,266	1,296	757
Due to central banks and other financial institutions were recorded as:			
At amortised cost	780	1,144	445
Designated at fair value through profit or loss	486	152	312
Total due to central banks and other financial institutions	1,266	1,296	757
Note 14 Other Money Market Deposits			
Money market deposits from non-financial institutions	3,728	2,868	3,077
Certificates of deposit	4,930	3,770	4,926
Commercial paper	7,172	4,502	5,836
Total other money market deposits	15,830	11,140	13,839
Total other money market deposits were recorded as:			
Designated at fair value through profit or loss	15,830	11,140	13,839
Total other money market deposits	15,830	11,140	13,839
Note 15 Deposits from Customers			
Demand deposits not bearing interest	716	667	651
Demand deposits bearing interest	8,616	8,413	8,530
Term deposits	15,430	13,782	14,992
Total deposits from customers	24,762	22,862	24,173
Deposits from customers were recorded as:			
At amortised cost	24,762	22,862	24,173
Total deposits from customers	24,762	22,862	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 31/12/07	Unaudited 31/12/06	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			
National Australia Bank Limited	-	300	-
NAB Capital LLC	230	230	230
National Equities Limited	485	485	485
Total subordinated loans from related entities	715	1,015	715
Other subordinated debt			
NZD term subordinated fixed rate bonds	343	-	362
Total other subordinated debt	343	-	362
Total lower tier two capital	1,058	1,015	1,077
Total subordinated debt	1,248	1,205	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 31 December 2007 (31 December 2006: 8.2% 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 31 December 2007. The Banking Group elected to repay its \$300 million subordinated loan from National Australia Bank Limited on 15 June 2007. 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.. The Bank did not hold any of these subordinated bonds as at 31 December 2007 (31 December 2006: nil; 30 September 2007: \$1 million). The amount shown in the above table is the fair value as at balance sheet date. As at 31 December 2007, 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

Shareholder's Equity Notes

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 17 Shareholder's Equity			
Total shareholder's equity at beginning of period	3,418	3,132	3,132
Total recognised income and expense for the period	199	180	716
Transactions with owner during the period			
Ordinary dividend	(178)	(215)	(430)
Total transactions with owner during the period	(178)	(215)	(430)
Movement in shareholder's equity for the period	21	(35)	286
Total shareholder's equity at end of period	3,439	3,097	3,418
Note 18 Reserves			
Asset revaluation reserve	2	-	2
Foreign currency translation reserve	-	2	(1)
Cash flow hedge reserve	52	(13)	25
Total reserves	54	(11)	26

Notes to and Forming Part of the Interim Financial Statements continued

Other Notes

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Note 19 Interest Earning and Discount Bearing Assets and Liabilities and Ranking of Liabilities			
Interest earning and discount bearing assets	55,088	48,441	52,340
Interest and discount bearing liabilities	50,930	44,614	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 \$90 million as at 31 December 2007 (31 December 2006: \$82 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 \$1,248 million as at 31 December 2007 (31 December 2006: \$1,205 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 \$222 million as at 31 December 2007 (31 December 2006: \$298 million; 30 September 2007: \$5 million). The Bank held no secured deposits as at 31 December 2007 (31 December 2006: \$45 million; 30 September 2007: nil).

Note 20 Forward Commitments to Purchase Securities

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Forward purchases of securities	214	34	65

Notes to and Forming Part of the Interim Financial Statements continued

Note 21 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 31 December 2007 (excluding sold puts and sold calls on foreign exchange option contracts, interest rate contracts and other option contracts) is disclosed in note 24.

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

Dollars in Millions	Consolidated		
	Unaudited 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Foreign exchange option contracts	1,965	1,259	2,198
Interest rate option contracts	1,908	661	1,880

New Zealand structured finance transactions

The New Zealand IRD has completed a review of certain structured finance transactions in the banking industry.

As a result of this review, the Bank and one of its wholly owned controlled entities have received amended tax assessments for the 1998 to 2002 years from the IRD with respect to certain structured finance transactions. The amended assessments are for income tax of approximately \$256 million. If the IRD issues amended assessments for all transactions for periods up to 30 June 2005, the maximum sum of primary tax which the IRD might claim for all years is approximately \$416 million. In addition, as at 31 December 2007, interest of \$191 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 three months ended 31 December 2007.

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 21 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 three months ended 31 December 2007.

Note 22 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 are based on actual credit exposures rather than internal limits, 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					
	Unaudited As At 31/12/07	Unaudited As At 31/12/06	Audited As At 30/9/07	Unaudited Peak for the 3 Months Ended 31/12/07	Unaudited Peak for the 3 Months Ended 31/12/06	Audited Peak for the 3 Months Ended 30/9/07
Credit exposure to connected persons	802	527	984	1,096	784	1,256
Credit exposure to connected persons expressed as a percentage of tier one capital of the Banking Group at end of period	24.5%	17.5%	29.9%	33.5%	26.0%	38.1%
Credit exposure to non-bank connected persons	-	-	-	-	-	-
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 31 December 2007, 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 31 December 2007. 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 31 December 2007.

Where a bank is funding a large loan it is common practice to share the risk of a customer default with the connected banks. These arrangements are called risk lay-off arrangements. As at 31 December 2007, the Banking Group had contingent credit exposures of \$564 million (31 December 2006: \$262 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 against credit exposures to connected persons as at 31 December 2007 (31 December 2006: nil; 30 September 2007: nil).

Notes to and Forming Part of the Interim Financial Statements continued

Note 23 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 OECD governments. Peak credit exposures to individual counterparties are calculated using the Banking Group's end of period shareholder's equity.

Consolidated

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

Percentage of Shareholder's Equity %	Number of Non-banks			Number of Banks		
	Unaudited For the 3 Months Ended 31/12/07	Unaudited For the 3 Months Ended 31/12/06	Audited For the 3 Months Ended 30/9/07	Unaudited For the 3 Months Ended 31/12/07	Unaudited For the 3 Months Ended 31/12/06	Audited For the 3 Months Ended 30/9/07
	10 - 19	3	3	2	8	5
20 - 29	-	-	-	2	2	2
30 - 39	-	-	-	2	1	1

Consolidated

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

Percentage of Shareholder's Equity %	Number of Non-banks			Number of Banks		
	Unaudited As At 31/12/07	Unaudited As At 31/12/06	Audited As At 30/9/07	Unaudited As At 31/12/07	Unaudited As At 31/12/06	Audited As At 30/9/07
	10 - 19	1	1	2	3	2
20 - 29	-	-	-	1	-	1

Large exposure – credit ratings

Dollars in Millions	Consolidated					
	Unaudited As At 31/12/07	Unaudited As At 31/12/07	Unaudited As At 31/12/06	Unaudited As At 31/12/06	Audited As At 30/9/07	Audited As At 30/9/07
	\$	%	\$	%	\$	%
Non-banks						
Exposures of investment grade credit rating	527	100	550	100	939	100
Total non-banks exposures	527	100	550	100	939	100
Banks						
Exposures of investment grade credit rating	2,300	100	1,127	100	1,737	100
Total banks exposures	2,300	100	1,127	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 24 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 31/12/07	Unaudited 31/12/06	Audited 30/9/07
Qualifying capital			
Tier one capital			
Contributed equity	1,451	1,451	1,451
Audited retained profits (gross of ordinary dividend paid)	1,941	1,686	2,371
Deduct: Ordinary dividend paid	7	29	430
Deductions from tier one capital:			
Advances of a capital nature to connected parties	-	24	-
Credit risk adjustment on liabilities designated at fair value through profit or loss	21	-	7
Intangible assets	71	65	69
Prepaid pension assets (net of deferred tax)	20	-	21
Total tier one capital	3,273	3,019	3,295
Upper tier two capital			
Unaudited retained profits (gross of ordinary dividend paid)	171	186	-
Revaluation reserves	2	2	1
Subordinated loans from related entities	190	190	190
Deduct: Ordinary dividend paid	171	186	-
Total upper tier two capital	192	192	191
Lower tier two capital			
Subordinated loans from related entities	715	1,015	715
Other subordinated debt	343	-	362
Total lower tier two capital	1,058	1,015	1,077
Total tier two capital	1,250	1,207	1,268
Total tier one and tier two capital	4,523	4,226	4,563
Total qualifying capital	4,523	4,226	4,563
Total risk-weighted exposures	41,451	38,486	40,996
Regulatory capital ratios			
Total tier one capital of the Banking Group expressed as a percentage of total risk-weighted exposures	7.90%	7.84%	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	10.91%	10.98%	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 24 Capital Adequacy continued

Calculation of balance sheet exposures

Dollars in Millions	Consolidated		
	Principal Amount Unaudited 31/12/07	Risk Weighting Unaudited 31/12/07	Risk-Weighted Exposure Unaudited 31/12/07
Cash and claims on qualifying central banks and governments with maturity within one year	5,248	0%	-
Claims on qualifying governments with maturity over one year	35	10%	4
Claims on banks and New Zealand local authorities	2,546	20%	509
Loans secured by residential mortgages*	24,930	50%	12,465
All other assets	23,208	100%	23,208
Non-risk-weighted assets	3,223	-	-
Total assets	59,190		36,186
Exposures arising from funding provided to securitisation entities (refer to note 25)	123	100%	123
Total assets for capital adequacy purposes	59,313		36,309

Calculation of off-balance sheet exposures

Dollars in Millions	Principal Amount Unaudited 31/12/07	Credit Conversion Factor Unaudited 31/12/07	Credit Equivalent Amount Unaudited 31/12/07	Average Counterparty Risk Weight Unaudited 31/12/07	Risk-Weighted Exposure Unaudited 31/12/07
Direct credit substitutes	373	100%	373	100%	373
Commitments with certain drawdown	23	100%	23	100%	23
Transaction related contingent liabilities	344	50%	172	100%	172
Short-term, self liquidating trade related contingencies	105	20%	21	100%	21
Commitments for financial services:					
Maturity is greater than one year	7,747	50%	3,874	88%	3,411
Maturity is less than one year or can be cancelled at any time	7,320	0%	-	-	-
Market related contracts:**					
Foreign exchange contracts	68,489	-	2,138	25%	534
Interest rate contracts	259,179	-	2,921	21%	605
Other	298	-	15	20%	3
Total off-balance sheet items	343,878		9,537		5,142
Total risk-weighted exposures					41,451

* 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 31 December 2006 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 24 Capital Adequacy continued

Calculation of balance sheet exposures

Dollars in Millions	Consolidated		
	Principal Amount Unaudited 31/12/06	Risk Weighting Unaudited 31/12/06	Risk-Weighted Exposure Unaudited 31/12/06
Cash and claims on qualifying central banks and governments with maturity within one year	2,468	0%	-
Claims on qualifying governments with maturity over one year	136	10%	14
Claims on banks and New Zealand local authorities	2,753	20%	551
Loans secured by residential mortgages*	20,973	50%	10,487
All other assets	22,806	100%	22,806
Non-risk-weighted assets	2,051	-	-
Total assets	51,187		33,858

Calculation of off-balance sheet exposures

Dollars in Millions	Principal Amount Unaudited 31/12/06	Credit Conversion Factor Unaudited 31/12/06	Credit Equivalent Amount Unaudited 31/12/06	Average Counterparty Risk Weight Unaudited 31/12/06	Risk-Weighted Exposure Unaudited 31/12/06
	Direct credit substitutes	361	100%	361	100%
Commitments with certain drawdown	8	100%	8	100%	8
Transaction related contingent liabilities	353	50%	177	100%	177
Short-term, self liquidating trade related contingencies	57	20%	11	100%	11
Commitments for financial services:					
Maturity is greater than one year	7,520	50%	3,760	87%	3,273
Maturity is less than one year or can be cancelled at any time	7,019	0%	-	-	-
Market related contracts:**					
Foreign exchange contracts	51,736	-	1,917	26%	496
Interest rate contracts	177,027	-	1,414	21%	295
Other	671	-	36	19%	7
Total off-balance sheet items	244,752		7,684		4,628
Total risk-weighted exposures					38,486

* 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 31 December 2006 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 24 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	-	-
Total assets	56,375		35,874
Exposures arising from funding provided to securitisation entities (refer to note 25)	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					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 31 December 2006 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 25 Securitisation, Funds Management, Other Fiduciary Activities, and the Marketing and Distribution of Insurance Products

Funds management

During the three months ended 31 December 2007, 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 25 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, Cigna Life Insurance New Zealand Limited, PMI Mortgage Insurance Limited, Zurich Australian Insurance 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 customers' assets and provides banking services to customers' securitisation vehicles. The Bank services unrelated securitisation arrangements and second 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 are 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 31 December 2007, securitisation arrangements in which the Banking Group has been involved to the extent detailed above amounted to \$2,233 million (31 December 2006: \$2,052 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 previously provided discretionary funds management services.

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								
Unaudited For the 3 Months Ended 31/12/07	Unaudited For the 3 Months Ended 31/12/06	Audited For the 3 Months Ended 30/9/07	Unaudited For the 3 Months Ended 31/12/07	Unaudited For the 3 Months Ended 31/12/06	Audited For the 3 Months Ended 30/9/07	Unaudited For the 3 Months Ended 31/12/07	Unaudited For the 3 Months Ended 31/12/06	Audited For the 3 Months Ended 30/9/07	
BNZ Life Insurance Limited	25	1,957	10,000	0.0%	2.8%	19.1%	0.0%	0.1%	0.3%
Speirs Securities Limited	104,200	-	41,846	71.7%	-	30.7%	3.2%	-	1.3%
Gough Securities Limited (formerly Securitised Equipment Receivables Limited)	39,800	-	34,806	22.7%	-	20.2%	1.2%	-	1.1%
Perpetual Trust Limited	147,250	-	-	72.7%	-	-	4.5%	-	-

Notes to and Forming Part of the Interim Financial Statements continued

Note 26 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.

Note 27 Exposures to Market Risk

Aggregate market risk exposures are derived in accordance with the methods described in clauses 1(a), 8(a) and 11(a) of the Ninth Schedule to the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2007. Peak exposures to market risk are calculated using the Banking Group's end of period shareholder's equity.

Dollars in Millions	Consolidated					
	Unaudited As At 31/12/07	Unaudited As At 31/12/06	Audited As At 30/9/07	Unaudited Peak for the 3 Months Ended 31/12/07	Unaudited Peak for the 3 Months Ended 31/12/06	Audited Peak for the 3 Months Ended 30/9/07
Interest rate exposures						
Aggregate interest rate exposures	172	132	173	194	193	207
Aggregate interest rate exposures expressed as a percentage of the Banking Group's equity at end of period	5.0%	4.3%	5.1%	5.6%	6.2%	6.1%
Foreign currency exposures						
Aggregate foreign currency exposures	2	1	2	7	4	5
Aggregate foreign currency exposures expressed as a percentage of the Banking Group's equity at end of period	0.1%	0.0%	0.1%	0.2%	0.1%	0.1%
Equity exposures						
Aggregate equity exposures	-	-	-	-	-	-
Aggregate equity exposures expressed as a percentage of the Banking Group's equity at end of period	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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 Stable
Moody's Investors Service, Inc	Aa2	Outlook Stable

During the two-year period ended 31 December 2007, the Standard & Poor's credit rating changed from AA- Outlook Stable to AA- CreditWatch Positive on 8 November 2006, and from AA- CreditWatch Positive to AA Outlook Stable on 22 February 2007.

During the two-year period ended 31 December 2007, 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 30 March 2007 – 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:
 - **Capital** of the Banking Group is not less than 8 percent of **risk-weighted exposures**.
 - **Tier one capital** of the Banking Group is not less than 4 percent of **risk-weighted exposures**.
 - **Capital** of the Banking Group is not less than NZ \$15 million.

For the purposes of this condition of registration, **capital, tier one capital** and **risk-weighted exposures** shall be calculated in accordance with the Reserve Bank of New Zealand document entitled “Capital Adequacy Framework” (BS2) dated March 2007.
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.

4. That aggregate **credit exposures** (of a non-capital nature and net of specific provisions) 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 specific provisions) 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 2007.

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.

Conditions of Registration continued

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:
 - 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.
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.

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).

Directors' Statement

The Directors of Bank of New Zealand 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 Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2007; and
 - b) the Short Form Disclosure Statement is not false or misleading; and
2. during the three months ended 31 December 2007:
 - a) the Bank has complied with its Conditions of Registration applicable during that period;
 - b) credit exposures to connected persons (refer to note 22 on page 22) 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 and other business risks, and that those systems were being properly applied.

This Short Form Disclosure Statement is dated at Auckland this 13th day of February 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

