General Short Form Disclosure Statement

Number 23

For the nine months ended 31 March 2007

Contents

General matters	1
Credit ratings	2
Guarantors	3
Conditions of registration	4
Directors' statement	6
Interim financial statements	7
Notes to the interim financial statements	10
Capital adequacy	20
Market risk exposures	24

General matters

Details of incorporation

Kiwibank Limited ("Kiwibank") was incorporated in New Zealand under the Companies Act 1993 on 4 May 2001 as a wholly owned subsidiary of New Zealand Post Limited ("NZP").

On 29 November 2001, Kiwibank was registered as a bank under the Reserve Bank of New Zealand Act 1989 and was required to comply with the conditions of registration as laid down by the Reserve Bank of New Zealand from that date onwards.

This General Short Form Disclosure Statement has been issued by Kiwibank for the nine months ended 31 March 2007, in accordance with the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2007 (the "Order"). Words and phrases defined by the Order have the same meanings when used in this General Short Form Disclosure Statement.

Address for service

The address for service is: Kiwibank Limited, Level 6, Radio New Zealand House, 155 The Terrace, Wellington, New Zealand.

Ultimate holding company

The ultimate holding company of Kiwibank is NZP whose address for service is: New Zealand Post House, Level 12, 7-27 Waterloo Quay, Wellington, New Zealand.

Voting securities and power to appoint directors

There are 225,000,000 voting securities of Kiwibank and NZP is the registered and beneficial holder of all those voting securities. NZP and the Crown (being those ministers who hold shares in NZP on behalf of the Crown) are the only holders of a direct or indirect qualifying interest in the voting securities of Kiwibank. Although the Crown is not the registered or beneficial holder of any of the voting securities of Kiwibank, it has a relevant interest in all of such securities by virtue of subsection 5(2)(a) of the Securities Markets Act 1988. The Crown does not, expressly or impliedly, guarantee the obligations of Kiwibank.

NZP has the power under Kiwibank's constitution to appoint any person as a director of Kiwibank either to fill a casual vacancy or as an additional director or to remove any person from the office of director by giving written notice to Kiwibank.

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 Kiwibank unless:

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

Other material matters

Kiwibank's directors are of the opinion that there are no matters relating to the business or affairs of Kiwibank, which would, if disclosed in this General Short Form Disclosure Statement, materially adversely affect the decision of a person to subscribe for debt securities of which Kiwibank is the issuer.

Pending proceedings or arbitration

Kiwibank's directors are of the opinion that, with the exception of the proceedings disclosed in note 14 (Contingent Liabilities), there are no pending proceedings or arbitration concerning Kiwibank, whether in New Zealand or elsewhere, that may have a material adverse effect on Kiwibank.

Directorate

There has been one change in the composition of the board of directors since the publication date of the previous General Disclosure Statement as outlined below.

As at the date of signing of the Short Form Disclosure Statement, the directors of Kiwibank were:

Rt. Hon. James Brendan Bolger
Ian Robert Fitzgerald
John Richard Allen
Alison Rosemary Gerry (appointed 28 March 2007)
Richard Gordon Alexander Westlake
James Harold Ogden
Gregory Benjamin Fortuin

Credit ratings

On 29 November 2001, Standard & Poor's (Australia) Pty Limited granted Kiwibank a credit rating of AA- for long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars. There have been no changes made to the rating in the two years preceding 31 March 2007. On 27 April 2007, this credit rating was reaffirmed as AA- but the outlook was revised from stable to negative.

NZP has a credit rating of AA- and has given Kiwibank a deed poll guarantee.

Standard & Poor's (Australia) Pty Limited credit rating scale definitions

AAA rated corporations have an extremely strong capacity for timely repayment of debt obligations.

AA rated corporations have a very strong capacity for timely repayment of debt obligations. They differ only from AAA status because margins of protection may not be as large or because protection elements may be subject to greater fluctuation.

A rated corporations have a strong capacity to meet debt obligations in a timely manner. Such corporations may be somewhat more susceptible to adverse changes in their environment, or margins of protection for the lender may be lower than for more highly rated corporations.

BBB rated corporations have a satisfactory capacity to meet debt obligations. Protection levels are more likely to be weakened by adverse changes in circumstances and economic conditions than for borrowers in more highly rated categories.

BB rated corporations' ability to pay interest and repay principal is only adequate and is likely to be affected over time by adverse economic changes.

B rated corporations are not highly protected as to their ability to pay interest and repay principal when due.

CCC rated corporations have poor protection levels. There is uncertainty with regard to the corporation's industry or some other feature of its business. Speculative characteristics exist and debt is not well safe guarded.

CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied CCC rating.

C is assigned where there is a high risk of default, or where default may have occurred.

D rated corporations are in default.

The ratings from **AA** to **CCC** may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Guarantors

All payment obligations of Kiwibank, excluding any payment obligations, the terms of which expressly provide that they do not have the benefit of the guarantee, are guaranteed under a deed poll guarantee (the "Guarantee") provided by Kiwibank's parent company, NZP.

NZP supports Kiwibank as a registered bank. By way of example, NZP has contracted with Kiwibank to offer banking services through NZP's existing retail network for an unlimited period.

The following are features of the Guarantee:

a. The address for service of NZP is New Zealand Post House, Level 12, 7-27 Waterloo Quay, Wellington, New Zealand.

b. NZP is not a member of the Kiwibank Banking Group (as that term is defined in the Order).

c. The Guarantee is an unsecured guarantee of the payment obligations of Kiwibank. The Guarantee can be terminated on not less than three month's notice by NZP to creditors (as that term is defined in the Guarantee). Any such termination does not affect any existing payment obligations owed under the Guarantee at the termination date.

d. There are no limits on the amount of the undisputed payment obligations guaranteed.

e. There are no material conditions applying to the Guarantee other than non-performance by the principal obligor.

f. There are no material legislative or regulatory restrictions, which would have the effect of subordinating the claims under the Guarantee of any of the creditors of Kiwibank on the assets of NZP, to other claims on NZP, in a winding up of NZP.

g. The net tangible assets of NZP were $609m as recorded in NZP's most recent Annual Report for the financial year ended 30 June 2006. There were no qualifications in the audit report accompanying the Annual Report.

h. NZP has a credit rating applicable to its long term unsecured obligations payable in New Zealand, in New Zealand dollars, from Standard & Poor's (Australia) Pty Limited of AA-. There have been no changes made to the rating in the two years preceeding 31 March 2007. On 10 April 2007, this credit rating was reaffirmed as AA- but the outlook was revised from stable to negative. Standard & Poor's (Australia) Pty Limited's credit rating scale definitions are listed on page 2 of this Disclosure Statement.

A copy of Kiwibank's most recent Supplemental Disclosure Statement, containing a copy of the full guarantee contract (from NZP), will be provided immediately at no charge to any person requesting a copy from Kiwibank's Head Office at Level 6, Radio New Zealand House, 155 The Terrace, Wellington, New Zealand. Copies of Kiwibank's most recent Supplemental Disclosure Statement, containing a copy of the full guarantee contract (from NZP), will be provided at any branch of Kiwibank at no charge to any person within five working days of a request for a copy having been made.

Conditions of registration

The conditions of registration imposed on Kiwibank by the Reserve Bank of New Zealand ("RBNZ") applicable from 30 March 2007 (and which apply at the date on which this General Short Form Disclosure Statement is signed by or on behalf of all directors) are:

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

   i. Capital of the Banking Group is not less than 8 percent of risk weighted exposures.

   ii. Tier one capital of the Banking Group is not less than 4 percent of risk weighted exposures.

   iii. 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 RBNZ 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% of its total consolidated assets. For the purposes of this condition:

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

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

      a. where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

         - the total consolidated assets of the group headed by that entity;
         - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

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

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

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

Conditions of registration continued

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

   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 1 capital.

   For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the RBNZ document entitled "Connected Exposure 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.
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.

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

Directors' statement

Each director of Kiwibank after due enquiry by them, believes that:

1. As at the date on which the Short Form Disclosure Statement is signed:
   i. 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;
   ii. the Short Form Disclosure Statement is not false or misleading.
2. During the nine months ended 31 March 2007:
   i. Kiwibank has complied with the conditions of registration applicable during the period.
   ii. Credit exposures to connected persons were not contrary to the interests of the Banking Group.
   iii. Kiwibank 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.

Signed by Rt Hon. James Bolger and Richard Westlake as directors and responsible persons on behalf of all the directors listed on page 1 above:

4 May 2007

Interim financial statements for banking group

Consolidated statement of financial performance

For the nine months ended 31 March 2007

Dollars in thousands	Note	**Unaudited 9 months ended 31/03/07**	Unaudited 9 months ended 31/03/06	Audited 12 months ended 30/06/06
Interest revenue		**193,058**	130,575	188,157
Interest expense		**(137,678)**	(93,838)	(136,222)
Net interest income		**55,380**	36,737	51,935
Other operating revenue		**93,038**	72,329	98,373
Total operating revenue		**148,418**	109,066	150,308
Operating expenses		**(117,376)**	(91,559)	(125,155)
Provisions expense	7	**312**	(1,410)	(1,892)
Operating surplus before taxation		**31,354**	16,097	23,261
Taxation charge		**(10,383)**	(5,311)	(7,490)
Operating surplus after taxation		**20,971**	10,786	15,771
Net surplus attributable to minority interest	11	**(651)**	-	-
Net surplus attributable to parent shareholders		**20,320**	10,786	15,771

Consolidated statement of movements in equity

For the nine months ended 31 March 2007

Dollars in thousands	Note	**Unaudited 9 months ended 31/03/07**	Unaudited 9 months ended 31/03/06	Audited 12 months ended 30/06/06
Equity at beginning of the period		**172,423**	121,652	121,652
Net surplus attributable to parent shareholders	11	**20,320**	10,786	15,771
Net surplus attributable to minority interest	11	**651**	-	-
Total recognised revenue and expenses		**20,971**	10,786	15,771
Dividends paid to minority shareholders	11	**(344)**	-	-
Contribution by shareholder	11	**55,000**	20,000	35,000
Total movement for the period		**75,627**	30,786	50,771
Equity at end of the period		**248,050**	152,438	172,423

The notes on pages 10 to 19 form part of these interim financial statements.

Interim financial statements for banking group continued

Consolidated statement of financial position

As at 31 March 2007

Dollars in thousands	Note	**Unaudited 31/03/07**	Unaudited 31/03/06	Audited 30/06/06
Assets				
Cash and liquid assets		**170,324**	28,634	50,116
Investment securities	2	**833,978**	378,489	378,474
Loans and advances		**3,340,315**	2,336,632	2,608,569
Intangible assets		**8,940**	-	-
Property, plant and equipment		**33,962**	28,134	29,902
Deferred taxation		**(586)**	83	74
Other assets		**7,682**	9,143	5,689
Total assets		**4,394,615**	2,781,115	3,072,824
Financed by:				
Liabilities				
Due to other banks		**105,135**	39,744	65,496
Balances with NZP related parties - current		**10,297**	11,759	34,274
Deposits	3	**3,588,450**	2,078,849	2,376,648
Debt securities issued		**342,763**	436,202	408,964
Current taxation		**1,144**	939	(158)
Other liabilities		**23,776**	36,184	15,177
Balances with NZP related parties - term		**-**	25,000	-
Term subordinated debt		**75,000**	-	
Total liabilities		**4,146,565**	2,628,677	2,900,401
Equity				
Equity	11	**248,050**	152,438	172,423
Total liabilities and shareholder's equity		**4,394,615**	2,781,115	3,072,824

The notes on pages 10 to 19 form part of these interim financial statements.

Interim financial statements for banking group continued

Consolidated statement of cash flows

For the nine months ended 31 March 2007

Dollars in thousands	Note	**Unaudited 9 months ended 31/03/07**	Unaudited 9 months ended 31/03/06	Audited 12 months ended 30/06/06
Cash flows from operating activities				
Sources:				
Interest received		**189,547**	129,761	185,053
Fees and other income, including related parties		**100,938**	73,783	97,507
Disbursements:				
Cash paid to suppliers/employees, including related parties		**(108,777)**	(80,072)	(116,753)
Interest paid		**(130,455)**	(88,964)	(125,613)
Taxes paid		**(9,015)**	(5,357)	(8,623)
Net cash flows from operating activities	10	**42,238**	29,151	31,571
Cash flows from investing activities				
Sources:				
Cash from acquisition of subsidiary		**480**	-	-
Disbursements:				
(Increase)/decrease in investments		**(455,504)**	(139,991)	(138,245)
Increase in lending to customers		**(729,951)**	(767,910)	(1,037,558)
Repayment of intercompany loan		**(25,000)**	-	-
Purchase of subsidiary		**(8,409)**	-	
Purchase of property, plant and equipment		**(11,318)**	(9,650)	(13,155)
Net cash flows from investing activities		**(1,229,702)**	(917,551)	(1,188,958)
Cash flows from financing activities				
Sources:				
Shareholder's equity funding		**55,000**	20,000	35,000
Term subordinated debt		**75,000**	-	
Increase/(decrease) in balances due to other banks		**39,639**	(2,770)	21,091
(Decrease)/increase in debt securities issued		**(66,201)**	218,151	188,534
Dividend paid to minority interest		**(344)**		
Increase in deposits		**1,204,578**	660,316	941,541
Net cash flows from financing activities		**1,307,672**	895,697	1,186,166
Increase in cash and cash equivalents		**120,208**	7,297	28,779
Cash and cash equivalents at beginning of the period		**50,116**	21,337	21,337
Cash and cash equivalents at the end of the period		**170,324**	28,634	50,116

The notes on pages 10 to 19 form part of these interim financial statements.

Notes to the interim financial statements

1. Statement of accounting policies

The interim financial statements of the Banking Group have been prepared in accordance with Financial Reporting Standard No. 24 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 and Annual Report for the period ended 30 June 2006.

The Banking Group comprises the Registered Bank and its subsidiaries, Kiwi Insurance Limited, Kiwibank Nominees Limited, New Zealand Home Lending Limited, AMP Home Loans Limited (established 23 March 2007) and The New Zealand Home Loan Company Limited. All of the subsidiaries are 100% owned by Kiwibank apart from The New Zealand Home Loan Company Limited. On 1 July 2006 Kiwibank purchased 51% of The New Zealand Home Loan Company Limited and is required to purchase the remaining shares in it by 1 July 2012 (or earlier at the option of either Kiwibank or The New Zealand Home Loan Company Limited).

There have been no material changes in accounting policies during the interim financial period. The accounting policies are consistent with the General Disclosure Statement for the period ended 30 June 2006.

Where appropriate, comparative figures have been reclassified to ensure consistency with the current period.

Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that all New Zealand reporting entities will be required to comply with International Financial Reporting Standards (IFRS) for periods commencing on or after 1 January 2007, with the option to comply early for periods beginning on or after 1 January 2005.

The Banking Group will adopt New Zealand equivalents to IFRS (NZ IFRS) for the year ended 30 June 2008, with the adoption of NZ IFRS first reflected in the General Short Form Disclosure Statement for the three months ended 30 September 2007. In adopting NZ IFRS, it is the Banking Group's intention to be in compliance with IFRS. Upon first time adoption of NZ IFRS, comparative information will be restated in the NZ IFRS compliant financial statements. Details of the impact of the adoption to comparative information will be set out in those financial statements.

The NZP Group has established a conversion project, monitored by a steering committee, to achieve transition to NZ IFRS reporting. The project involves assessing the impacts of NZ IFRS to the Banking Group, then designing and implementing changes required to current accounting policies and procedures, as well as systems and processes, in order to successfully transition to NZ IFRS. The project is currently finalising the quantitative impacts of these changes.

To date, the following areas requiring changes in accounting policies have been identified as potentially having a significant impact on the NZ IFRS financial statements of the Banking Group. Other areas requiring changes in accounting policies may be identified as the steering committee completes its assigned role. The impacts discussed are based on the Board's current interpretation of the standards that have been released to date. There is potential for the significance of the impact to change when the Banking Group prepares its first full set of NZ IFRS financial statements due to changes in standards, changes in the business, or changes in the Board's interpretation of the standards.

1. Valuation of financial instruments

Financial assets and liabilities are currently accounted for under New Zealand Financial Reporting Standards (NZ FRS). Under NZ IFRS all financial assets and liabilities are required to be designated into one of the following four categories: Fair value through profit or loss, Held-to-Maturity, Loans and Receivables, or Available-for-Sale.

Under NZ IFRS certain Investment Securities are to be held as Available for Sale assets and will be recognised at their fair value with any unrealised gains and losses transferred to an Available for Sale reserve. No financial assets will be designated as Held to Maturity. Currently Investment Securities are held at amortised cost.

Kiwibank has decided to adopt Fair Value through the Profit or Loss (FVTPL) for the retail fixed rate mortgage portfolio, thus avoiding an accounting mismatch with the fair value of derivatives, which have been entered into to offset the interest rate risk on the fixed rate mortgages. These mortgages are currently held at amortised cost. The revaluation of the fixed rate mortgages to fair value will give rise to unrealised mark-to-market gains and losses, which will be largely offset by the fair value movement of the derivatives. All other loans and receivables will continue to be carried at their amortised cost.

Notes to the interim financial statements continued

Statement of accounting policies continued

Adoption of New Zealand Equivalents to International Financial Reporting Standards continued

1. Valuation of financial instruments continued

As a result of this change in accounting policy, at 1 July 2006, it is estimated that Kiwibank will decrease the carrying value of the retail fixed rate mortgage portfolio by approximately $18.6m, off-set partially by a $9.3m gain on derivatives. The net decrease of $9.3m will result in a corresponding decrease in equity at that date.

2. Derivative financial instruments

Kiwibank primarily uses derivatives as a risk management tool for hedging interest rate and foreign exchange rate risk arising on on-balance sheet assets and liabilities. Under current NZ FRS, derivatives are recorded off-balance sheet on an accrual basis. NZ IFRS requires all derivative financial instruments, whether used as hedging instruments or otherwise, to be carried at fair value in the balance sheet. With the exception of specific cash flow hedges, Kiwibank will not be designating any existing derivatives as hedging instruments, as per NZ IAS 39 – Financial Instruments: Recognition and Measurement, therefore the fair value movements will be through the Income Statement. This will increase the profit and loss volatility, however the fair value movement on derivatives entered into to offset the interest rate risk on fixed rate mortgages (FVTPL) will offset some of this volatility.

As a result of this change in accounting policy, at 1 July 2006, a $9.4m derivative asset will be recognised in the Balance Sheet, with a corresponding increase in equity at that date.

Under NZ FRS, such hedges were recorded outside the Statement of Financial Position. Under NZ IFRS a cash flow hedge reserve is established in equity for the fair value movements of the underlying variable rate mortgage portfolio and the associated derivative. This results in a $0.1m decrease in net assets with a corresponding decrease in equity.

3. Loan impairment

Provisions are currently raised on loans where losses are expected to be incurred. Loans not found to be individually impaired are collectively assessed for impairment in pools of similar assets with similar risk characteristics. The size of the provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. NZ IFRS is expected to reduce the level of provisioning which the Banking Group holds against its credit exposures. The Banking Group will be required to apply an incurred loss approach for provisioning and follow specific rules on the measurement of incurred losses. The changes may result in increased volatility in the Income Statement.

As Kiwibank will be adopting the FVTPL designation for valuing its fixed rate mortgage portfolio, any impairment provisioning will be included in the carrying value of these mortgages, thus removing the need for a separate provision.

As a result of this change in accounting policy, at 1 July 2006, Kiwibank will reverse the general provision for bad debts, which amounts to $5.5m and establish a specific provision for unsecured lending of $0.3m, with a corresponding decrease in equity.

4. Deferred taxation

Under NZ IFRS a balance sheet approach will be adopted, replacing the statement of financial performance approach currently used. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. As at 1 July 2006, this approach will result in an increase in the deferred taxation asset balance of $1.9m, with a corresponding increase in equity.

5. Software assets

Under NZ FRS all software is classified as property, plant and equipment. Under NZ IAS 38: Intangible Assets, software, which is separately identifiable from hardware, is reclassified as an intangible asset. The amount reclassified from plant, property and equipment is approximately $15.5 million. This amount will also be deducted from the Bank's Tier I capital for capital adequacy purposes.

All the financial information in these financial statements has been prepared in accordance with NZ FRS. The accounting policy differences between NZ FRS and NZ IFRS identified above may have a significant effect on the Banking Group's financial position and performance. The areas identified above should not be taken as an exhaustive list of all the differences between NZ FRS and NZ IFRS.

Notes to the interim financial statements continued

Dollars in thousands	**Unaudited 31/03/07**	Unaudited 31/03/06	Audited 30/06/06
2. Investment securities			
Government securities	**87,799**	61,378	104,542
Other securities	**746,179**	317,111	273,932
Total investment securities	**833,978**	378,489	378,474
3. Deposits			
New Zealand	**3,588,450**	2,078,849	2,376,648
Overseas	**-**	-	-
Total deposits and other borrowings	**3,588,450**	2,078,849	2,376,648
4. Total interest earning and discount bearing assets			
Total interest earning and discount bearing assets	**4,311,667**	2,718,004	3,011,158
5. Total interest and discount bearing liabilities			
Total interest earning and discount bearing liabilities	**4,078,397**	2,577,178	2,876,108
6. Assets used to secure deposit obligations			
Assets used to secure deposit obligations	**75,583**	20,729	62,146

Notes to the interim financial statements continued

Dollars in thousands	**Unaudited 31/03/07**	Unaudited 31/03/06	Audited 30/06/06
7. Asset quality			
Non accrual assets			
Gross impaired			
Balance at beginning of the period	**60**	-	-
Net additions	**66**	-	60
Deletions	**(24)**	-	-
Amounts written off	**(36)**	-	-
Balance at end of period	**66**	-	60
Specific provisions for doubtful debts			
Balance at beginning of the period	**-**	-	-
Charge to statement of financial performance	**-**	-	-
Advances written off	**-**	-	-
Total specific provisions for doubtful debts	**-**	-	-
Net impaired assets	**66**	-	60
Past due assets			
Balance at beginning of period	**693**	523	723
Net additions	**2,144**	845	693
Deletions	**(309)**	(340)	(371)
Amounts written off	**(384)**	(183)	(352)
Balance at end of period	**2,144**	845	693
General Provision for Bad Debts			
Balance at beginning of period	**5,493**	2,655	3,601
(Credit)/charge to statement of financial performance	**(312)**	425	1,892
Balance at end of period	**5,181**	3,080	5,493
Interest revenue foregone on impaired assets	**2**	-	2

Interest revenue foregone on impaired assets has been calculated using actual interest written off and interest suspended during the interim financial period. There are no real estate or other assets acquired through the enforcement of security held at 31 March 2007 (31 March 2006: nil; 30 June 2006: nil). There are no restructured assets at 31 March 2007 (31 March 2006: nil; 30 June 2006: nil). There are no assets under administration as at 31 March 2007 (31 March 2006: nil; 30 June 2006: nil). There are no unrecognised impaired assets as at 31 March 2007 (31 March 2006: nil; 30 June 2006: nil).

Notes to the interim financial statements continued

8. Credit exposure concentrations

Credit exposure to individual counterparties

Credit exposure concentrations are disclosed on the basis of actual exposures and gross of set-offs. The number of individual counterparties, excluding connected persons and OECD governments, where the period end and peak end-of-day aggregate actual credit exposures, net of specific provisions (which were nil), equalled or exceeded 10% of the Banking Group's shareholder's equity as at balance date are:

	Unaudited 9 months ended 31/03/07		Unaudited 9 months ended 31/03/06		Audited 3 months ended 30/06/06	
	Non-Bank	**Bank**	Non-Bank	Bank	Non-Bank	Bank
As at balance date						
10% - 19%	**1**	**3**	-	-	-	5
20% – 29%	**-**	**4**	-	2	-	2
30% - 39%	**-**	**2**	-	3	-	-
40% - 49%	**-**	**-**	-	-	-	-
50% - 59%	**-**	**-**	-	-	-	-
Peak exposure						
10% - 19%	**1**	**2**	1	1	1	2
20% - 29%	**-**	**2**	-	-	-	1
30% - 39%	**-**	**5**	-	2	-	2
40% - 49%	**-**	**-**	-	1	-	2
50% - 59%	**-**	**-**	-	1	-	-
60% - 69%	**-**	**-**	-	1	-	-

Notes to the interim financial statements continued

8. Credit exposure concentrations continued

Credit exposure by credit rating

The following table presents the Banking Group's credit exposure based on the credit rating of the issuer. Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis, (net of specific provisions and excluding advances of a capital nature). An investment grade credit rating means a credit rating of BBB- or Baa3 or above, or its equivalent. The amount and percentage of the Banking Group's credit exposure, excluding connected persons and OECD governments, where the period end aggregate exposure equalled or exceeded 10% of the Banking Group's shareholder's equity, as at balance date are:

	Unaudited 3 months ended 31/03/07		Unaudited 3 months ended 31/03/06		Audited 3 months ended 30/06/06	
Dollars in thousands	**Amount**	**% of total credit exposure**	**Amount**	**% of total credit exposure**	**Amount**	**% of total credit exposure**
Bank counterparties						
Investment grade credit rating	**502,077**	**100%**	265,031	100%	208,574	100%
Below investment grade credit rating	**-**	**-**	-	-	-	-
Not rated	**-**	**-**	-	-	-	-
Total credit exposure	**502,077**	**100%**	265,031	100%	208,574	100%
Non-bank counterparties						
Investment grade credit rating	**25,000**	**100%**	34,000	100%	-	-
Below investment grade credit rating	**-**	**-**	-	-	-	-
Not rated	**-**	**-**	-	-	-	-
Total credit exposure	**25,000**	**100%**	34,000	100%	-	-

Notes to the interim financial statements continued

Credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis, (net of specific provisions and excluding advances of a capital nature). The Banking Group does not have credit exposures to connected persons other than non-bank connected persons. Peak end-of-day credit exposures to non-bank connected persons have been calculated using the Banking Group's tier one capital at the end of the period. The rating-contingent limit, which is applicable to the Banking Group as at balance date, is 70%. There have been no rating-contingent limit changes during the period. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. All limits on aggregate credit exposures to all connected persons and non-bank connected persons in the Banking Group's Conditions of Registration have been complied with at all times over the last quarter.

There are no specific provisions against credit exposures to non-bank connected persons as at 31 March 2007 (31 March 2006: nil; 30 June 2006: nil).

Dollars in thousands	**Unaudited 3 months ended 31/03/07**	Unaudited 3 months ended 31/03/06	Audited 3 months ended 30/06/06
Credit exposures to non-bank connected persons at period end	**263**	279	276
Credit exposures to non-bank connected persons at period end			
expressed as a percentage of total tier one capital	**0.1%**	0.2%	0.2%
Peak credit exposures to non-bank connected persons during the period	**279**	281	284
Peak credit exposures to non-bank connected persons during the period			
expressed as a percentage of total tier one capital	**0.1%**	0.2%	0.2%

9. Fiduciary activities

Funds management

As at 31 March 2007, 31 March 2006 and 30 June 2006, Kiwibank did not administer unit trusts, superannuation bonds or superannuation plans.

Custodial Services

Kiwibank's subsidiary, Kiwibank Nominees Limited, provides custodial services to customers in respect of assets that are beneficially owned by those customers. Kiwibank Nominees Limited did not trade during the period.

Securitised Assets

As at balance date, Kiwibank was not involved in the origination of securitised assets, nor was it involved in any securitisation activities.

Insurance Business

Kiwibank's subsidiary, Kiwi Insurance Limited, operates predominantly in one industry segment being life insurance. The Banking Group markets and distributes its life insurance products through the Banking Group's distribution channels using its wholly owned subsidiary, Kiwi Insurance Limited. An external, third party insurance company underwrites the life insurance.

The total assets of Kiwi Insurance Limited as at 31 March 2007 are $1,235k (31 March 2006: $932k, 30 June 2006: $887k), which is 0.03% of the total assets of the Banking Group (31 March 2006: 0.03%; 30 June 2006: 0.03%). This complies with Kiwibank's Conditions of Registration, which allows a maximum of 1% of the total consolidated assets of the Banking Group to be represented by insurance business assets.

Policies and procedures exist to ensure that the insurance activities of the Banking Group are conducted in an appropriate manner. These include regular reviews of the operations of the insurance business by management and a qualified actuary. Should adverse conditions arise, these policies and procedures are expected to mitigate the impact of the conditions on the Banking Group.

Notes to the interim financial statements continued

10. Reconciliation of operating surplus after taxation to net cash flows from operating activities

Dollars in thousands	**Unaudited 9 months ended 31/03/07**	Unaudited 9 months ended 31/03/06	Audited 12 months ended 30/06/06
Operating surplus after taxation	**20,971**	10,786	15,771
Net surplus attributable to minority interest	**(651)**	-	-
Net surplus attributable to parent shareholders	**20,320**	10,786	15,771
Non cash movements:			
Depreciation	**7,258**	5,711	7,448
Amortisation of intangibles	**866**	-	-
(Decrease)/increase in general provision for doubtful debts	**(312)**	1,410	1,892
(Increase)/decrease in deferred expenditure	**(297)**	(296)	241
Bad debts written off	**909**	1,264	1,818
Decrease/(increase) in deferred taxation	**660**	620	(611)
Working capital items:			
Increase in accrued operating expenses	**8,599**	8,029	565
Increase in interest payable	**7,223**	4,874	10,609
Increase/(decrease) in balances with related parties	**1,030**	980	(1,505)
Increase in current taxation	**1,381**	(575)	(522)
Increase in other assets	**(1,888)**	(2,869)	(1,323)
Increase in interest receivable	**(3,511)**	(783)	(2,812)
Net cash flows from operating activities	**42,238**	29,151	31,571

Notes to the interim financial statements continued

Dollars in thousands	**Unaudited 9 months ended 31/03/07**	Unaudited 9 months ended 31/03/06	Audited 12 months ended 30/06/06
11. Equity			
Issued and paid up capital			
225,000,000 shares fully paid	**225,000**	155,000	170,000
Retained earnings	**22,743**	(2,562)	2,423
Parent shareholders' equity	**247,743**	152,438	172,423
Minority interests	**307**	-	-
Total equity	**248,050**	152,438	172,423
Share capital			
Balance at beginning of the period	**170,000**	135,000	135,000
Issues in period	**55,000**	20,000	35,000
Balance at end of the period	**225,000**	155,000	170,000
Retained earnings			
Balance at beginning of the period	**2,423**	(13,348)	(13,348)
Net surplus for the period	**20,320**	10,786	15,771
Balance at end of the period	**22,743**	(2,562)	2,423
Minority interests			
Balance at beginning of the period	**-**	-	-
Dividends paid to minority shareholders	**(344)**	-	-
Share of surplus of subsidiaries	**651**	-	-
Balance at end of the period	**307**	-	-

All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up. The whole of the issued share capital is owned by NZP, which is incorporated in New Zealand. On 28 August 2006 15,000,000 ordinary shares were issued for cash at $1 per share to NZP. On 15 September 2006 15,000,000 ordinary shares were issued for cash at $1 per share to NZP. On 16 January 2007 25,000,000 ordinary shares were issued for cash at $1 per share to NZP.

12. Risk management policies

There have been no changes to the Banking Group's policies for managing risks during the period.

Notes to the interim financial statements continued

13. Commitments

Kiwibank has entered into agreements to provide AMP-branded home loans to customers introduced by AMP Financial Services Limited ("AMP"), replacing The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which will exit from that role. As part of this transaction, Kiwibank will purchase an approximately $700 million portfolio of New Zealand residential mortgages currently provided by HSBC to AMP-introduced customers. On completion, which is now scheduled for 2 July 2007, Kiwibank expects to pay a premium of approximately $8 million for the portfolio. Binding legal documentation was signed on 4 April 2007.

14. Contingent liabilities

The New Zealand Commerce Commission has undertaken an industry wide investigation into interchange fees on credit card transactions. As a result of this investigation, the Commission has brought civil proceedings under the Commerce Act 1986 against a number of banks, including Kiwibank, for alleged price-fixing. The Commission seeks a declaration that particular aspects of the credit card rules are unenforceable, an injunction from giving effect to those aspects of the rules, and unquantified pecuniary penalties. A group of retailers has subsequently commenced similar proceedings seeking unquantified civil damages for the same conduct if Kiwibank is found to have breached the Act.

As at the date of signing this General Short Form Disclosure Statement, the possible liability faced by Kiwibank (if any) cannot be reliably estimated.

There were no other material contingent liabilities as at 31 March 2007 other than as separately disclosed in these financial statements. (31 March 2006: nil; 30 June 2006: nil).

Capital adequacy

Kiwibank is registered as a bank under the Reserve Bank of New Zealand Act 1989. The RBNZ adopts a risk-based framework for the measurement of capital adequacy, based on internationally accepted capital measurement standards. Capital adequacy ratios are calculated as a percentage of capital to total risk weighted exposures. The RBNZ currently requires registered banks to maintain tier one capital at a minimum of 4% of total risk weighted exposures and total capital at a minimum of 8% of total risk weighted exposures.

Share capital

The ordinary shares, which are fully paid, are included within tier one capital. The material terms and conditions of the ordinary shares are:

a. each share contains a single right to vote;

b. there are no redemption, conversion or capital repayment options/facilities;

c. there is no predetermined dividend rate;

d. there is no maturity date; and

e. there are no options to be granted pursuant to any agreement.

Dollars in thousands	**Unaudited 31/03/07**	Unaudited 31/03/06	Audited 30/06/06
Tier one capital			
Issued and fully paid up share capital	**225,000**	155,000	170,000
Revenue and similar reserves	**2,423**	(13,348)	(13,348)
Current period's audited retained earnings	**11,772**	5,444	15,771
Less deductions from tier one capital			
Goodwill and other intangibles	**(8,940)**	-	-
Total tier one capital	**230,255**	147,096	172,423
Tier two capital - upper level tier two capital			
Unaudited retained profits	**9,199**	5,342	-
Tier two capital – lower level tier two capital			-
Term subordinated debt	**75,000**	-	
Total tier two capital	**84,199**	5,342	
Total tier one and tier two capital	**314,454**	152,438	
Less deductions from capital	**-**	-	
Capital	**314,454**	152,438	172,423
Capital adequacy ratios			
Total tier one capital expressed as a percentage of total risk weighted exposures	**10.1%**	10.4%	11.0%
Capital expressed as a percentage of total risk weighted exposures	**13.8%**	10.8%	11.0%

Capital adequacy continued

Dollars in thousands	Principal amount Unaudited 31/03/07	Risk weighting Unaudited 31/03/07	Risk weighted exposure Unaudited 31/03/07
On-balance sheet exposures			
Cash and short term claims on the government	**166,076**	**0%**	**-**
Long term claims on the government	**76,321**	**10%**	**7,632**
Claims on banks	**462,209**	**20%**	**92,442**
Claims on public sector entities	**-**	**20%**	**-**
Residential mortgages	**3,144,034**	**50%**	**1,572,017**
Other	**542,216**	**100%**	**542,216**
Total balance sheet exposures[1]	**4,390,856**		**2,214,307**

Dollars in thousands	Principal amount Unaudited 31/03/07	Credit conversion factor Unaudited 31/03/07	Credit equivalent amount Unaudited 31/03/07	Risk weighting Unaudited 31/03/07	Risk weighted exposure Unaudited 31/03/07
Off-balance sheet exposures					
Direct credit substitutes	**-**	**100%**	**-**	**0%**	**-**
Commitments with certain drawdown	**97,380**	**100%**	**97,380**	**60%**	**58,428**
Underwriting and sub-underwriting facilities	**-**	**50%**	**-**	**0%**	**-**
Transaction related contingent items	**-**	**50%**	**-**	**0%**	**-**
Short term, self liquidating trade related contingents	**-**	**20%**	**-**	**0%**	**-**
Other commitments greater than one year	**-**	**50%**	**-**	**0%**	**-**
Other commitments less than or equal to one year	**-**	**0%**	**-**	**0%**	**-**
Market related contracts:[1]					
Interest rate contracts	**5,061,000**	**N/A**	**51,389**	**20%**	**10,278**
Foreign exchange contracts	**141,469**	**N/A**	**2,137**	**20%**	**427**
Total off-balance sheet exposures					**69,133**
Total risk weighted exposures					**2,283,440**

1. Kiwibank uses the current exposure method to calculate the credit risk on these contracts

Capital adequacy continued

Dollars in thousands	Principal amount Unaudited 31/03/06	Risk weighting Unaudited 31/03/06	Risk weighted exposure Unaudited 31/03/06
On-balance sheet exposures			
Cash and short term claims on the government	59,793	0%	-
Long term claims on the government	20,794	10%	2,079
Claims on banks	292,357	20%	58,471
Claims on public sector entities	8,028	20%	1,606
Residential mortgages	2,255,071	50%	1,127,535
Other	150,000	100%	150,000
Total balance sheet exposures	2,786,043		1,339,691

Dollars in thousands	Principal amount Unaudited 31/03/06	Credit conversion factor Unaudited 31/03/06	Credit equivalent amount Unaudited 31/03/06	Risk weighting Unaudited 31/03/06	Risk weighted exposure Unaudited 31/03/06
Off-balance sheet exposures					
Direct credit substitutes	-	100%	-	0%	-
Commitments with certain drawdown	106,206	100%	106,206	66.6%	70,733
Underwriting and sub-underwriting facilities	-	50%	-	0%	-
Transaction related contingent items	-	50%	-	0%	-
Short term, self liquidating trade related contingents	-	20%	-	0%	-
Other commitments greater than one year	-	50%	-	0%	-
Other commitments less than or equal to one year	-	0%	-	0%	-
Market related contracts:[1]					
Interest rate contracts	2,383,000	N/A	20,565	20%	4,113
Foreign exchange contracts	2,783	N/A	303	20%	61
Total off-balance sheet exposures					74,907
Total risk weighted exposures					1,414,598

[1] Kiwibank uses the current exposure method to calculate the credit risk on these contracts

Capital adequacy continued

Dollars in thousands	Principal amount Audited 30/06/06	Risk weighting Audited 30/06/06	Risk weighted exposure Audited 30/06/06
On-balance sheet exposures			
Cash and short term claims on the government	82,690	0%	-
Long term claims on the government	61,882	10%	6,188
Claims on banks	232,032	20%	46,406
Claims on public sector entities	8,026	20%	1,605
Residential mortgages	2,505,147	50%	1,252,573
Other	188,540	100%	188,540
Total balance sheet exposures	3,078,317		1,495,312

Dollars in thousands	Principal amount Audited 30/06/06	Credit conversion factor Audited 30/06/06	Credit equivalent amount Audited 30/06/06	Risk weighting Audited 30/06/06	Risk weighted exposure Audited 30/06/06
Off-balance sheet exposures					
Direct credit substitutes	-	100%	-	0%	-
Commitments with certain drawdown	95,466	100%	95,466	63.5%	60,621
Underwriting and sub-underwriting facilities	-	50%	-	0%	-
Transaction related contingent items	-	50%	-	0%	-
Short term, self liquidating trade related contingents	-	20%	-	0%	-
Other commitments greater than one year	-	50%	-	0%	-
Other commitments less than or equal to one year	-	0%	-	0%	-
Market related contracts:[1]					
Interest rate contracts	3,678,000	N/A	22,728	20%	4,546
Foreign exchange contracts	2,740	N/A	350	20%	70
Total off-balance sheet exposures					65,237
Total risk weighted exposures					1,560,549

[1] Kiwibank uses the current exposure method to calculate the credit risk on these contracts

Market risk exposures

Market risk exposures have been calculated in accordance with 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 are calculated using the Banking Group's shareholder's equity at the end of the quarter.

Dollars in thousands	**Unaudited As at 31/03/07**	Unaudited As at 31/03/06	Audited As at 30/06/06	**Unaudited Peak for 3 months ended 31/03/07**	Unaudited Peak for 3 months ended 31/03/07	Audited Peak for 3 months ended 30/06/06
Interest rate exposures						
Aggregate interest rate exposures	**13,358**	6,935	11,382	**14,253**	4,638	11,382
Aggregate interest rate exposures expressed as a percentage of the Banking Group's shareholder's equity	**5.4%**	4.6%	6.6%	**5.8%**	5.5%	6.6%
Foreign currency exposures						
Aggregate foreign currency exposures	**202**	-	79	**493**	-	79
Aggregate foreign currency exposures expressed as a percentage of the Banking Group's shareholder's equity	**0.1%**	-	0.0%	**0.2%**	-	0.0%

The Banking Group holds no equity instruments.