

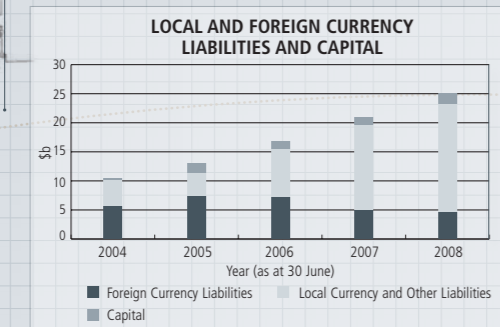
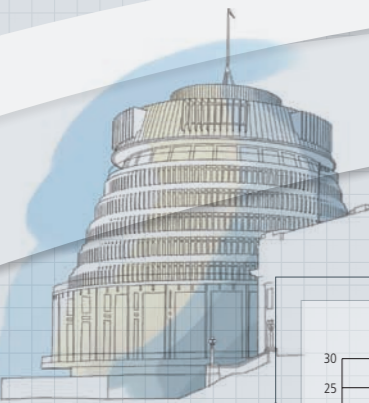
WHERE OUR FUNDS COME FROM

1 THE PUBLIC
The Bank supplies notes and coins to banks for the public's use. The face value of the notes and coins is equivalent to an interest-free loan from the public, which we invest for the public.

	2008	2007
Value of notes and coins	\$3.5B	\$3.4B

2 THE GOVERNMENT (TAXPAYERS)
The Government invests capital in the Bank to allow it to function. This is also interest-free. The Bank will also retain some of its annual profits which is added to the Government's investment.

	2008	2007
Capital from Government	\$1.9B	\$1.4B

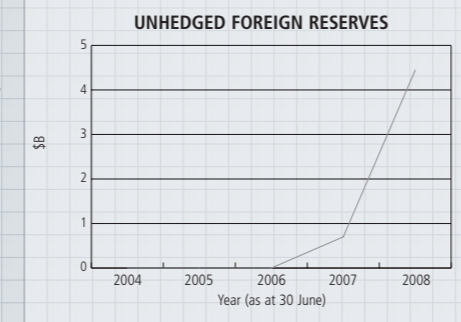


3 THE BANK ALSO BORROWS FUNDS

- Deposits from the Crown and banks, arising from providing cash to the NZ banking system to facilitate payments.
- Loans from The Treasury, to fund part of foreign reserves.

	2008	2007
Bank Deposits	\$14.9B	\$11.0B
Treasury Loans	\$3.6B	\$4.0B
Other short-term borrowing	\$1.3B	\$1.2B

	2008	2007
TOTAL LIABILITIES AND CAPITAL	\$25.2B	\$21.0B



WHERE THESE FUNDS ARE INVESTED

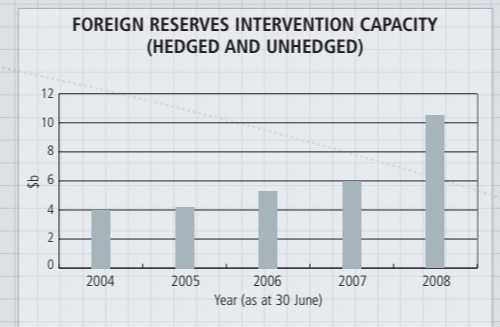


1 IN LOCAL CURRENCY ASSETS – NZ Government Stock
2 IN FOREIGN CURRENCY ASSETS including overseas securities, readily available for foreign exchange intervention and crisis management.

	2008	2007
Local currency assets	\$4.3B	\$4.2B
Foreign currency assets	\$20.8B	\$16.7B
Other assets	\$0.1B	\$0.1B
TOTAL ASSETS	\$25.2B	\$21.0B

THE BANK accepts how much risk it takes to changes in foreign exchange rates by managing:

- its level of unhedged foreign reserves and
- the amount of foreign reserves that is available to be sold at short notice

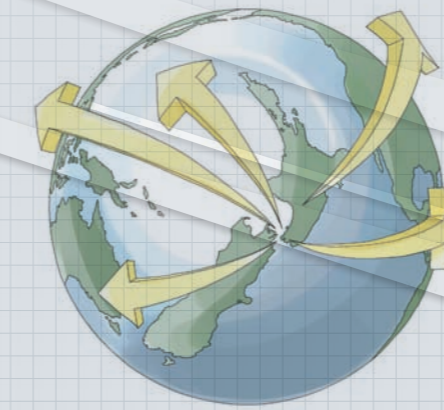


THESE INVESTMENTS GENERATE INCOME

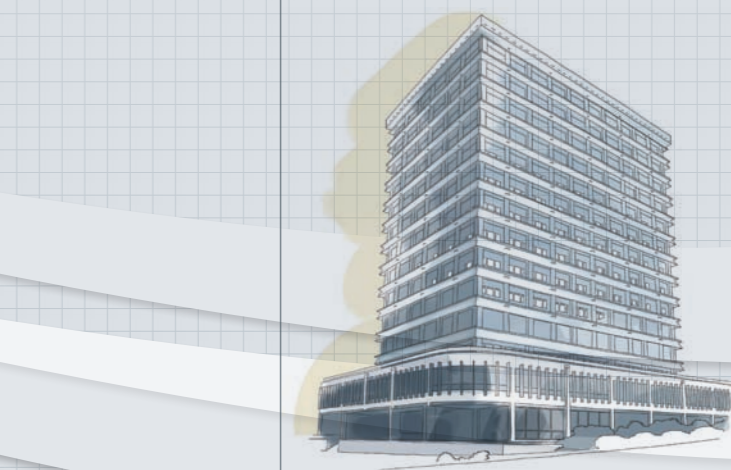
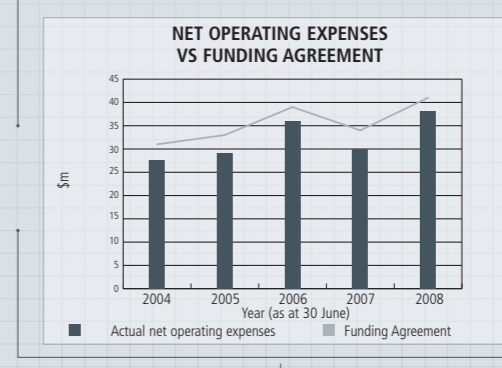
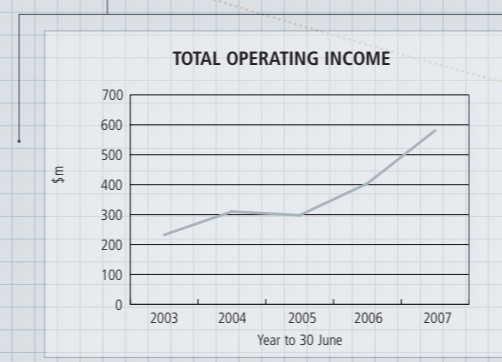
INCOME IS GENERATED BY:

- Interest earned on assets less interest paid on liabilities
- Gains and losses due to changes in market interest rates
- Gains and losses due to changes in foreign currency exchange rates

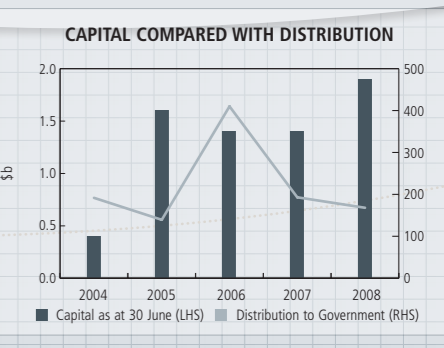
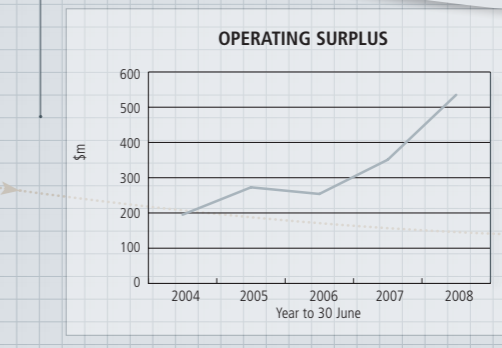
	2008	2007
Net interest income	\$234m	\$340m
Market interest rates gains and losses, excluding those that go to capital	(\$7m)	\$14m
Foreign exchange gains	\$344m	\$9m
Other income	\$10m	\$41m
TOTAL INCOME	\$581m	\$404m



FUNDING AGREEMENT
The Government and the Bank agree how much income may be used to meet Bank expenses. The Funding Agreement covers a five-year period.



- Dividend to Government
- Remainder retained and added to capital
 - Increasing taxpayers' investment and providing a buffer against financial markets volatility
 - Revaluations of certain assets are included directly in capital



INCOME IS USED FOR

- Paying Bank expenses
- Paying a dividend to Government
- Adding to capital

