ANZ NATIONAL BANK LIMITED GROUP

General Disclosure Statement

for the year ended 30 September 2005

Number 39 Issued November 2005

ANZ National Bank Limited

Contents

GENERAL DISCLOSURES

This Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005 ('the Order').

In this Disclosure Statement unless the context otherwise requires:

a) "Banking Group" means ANZ National Bank Limited and all its subsidiaries; and

b) any term or expression which is defined in, or in the manner prescribed by, the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005 shall have the meaning given in or prescribed by that Order.

General Matters

The full name of the registered bank is ANZ National Bank Limited ('the Bank') and its address for service is Level 14, 215-229 Lambton Quay, PO Box 1492, Wellington, New Zealand.

The Bank was incorporated under the Companies Act 1955 by virtue of the ANZ Banking Group (New Zealand) Act 1979 on 23 October 1979, and was reregistered under the Companies Act 1993 on 13 June 1997. On 26 June 2004, The National Bank of New Zealand Limited amalgamated into ANZ Banking Group (New Zealand) Limited, and the Bank changed its name to ANZ National Bank Limited with effect from 28 June 2004.

The immediate parent company of the Bank is ANZ Holdings (New Zealand) Limited (incorporated in New Zealand). The immediate parent company is owned by ANZ Funds Pty Limited (incorporated in Australia).

The Ultimate Parent Bank is Australia and New Zealand Banking Group Limited, which is incorporated in Australia, and its address for service is 100 Queen Street, Melbourne, Australia.

The Bank is wholly owned by its immediate parent company and ultimately the Ultimate Parent Bank. The immediate parent company has the power under the Bank's Constitution to appoint any person as a Director of the Bank either to fill a casual vacancy or as an additional Director or to remove any person from the office of Director, from time to time by giving written notice to the Bank. All appointments of Directors must be approved by the Reserve Bank of New Zealand.

Material Financial Support

In accordance with the requirements issued by the Australian Prudential Regulatory Authority pursuant to the Prudential Statements, Australia and New Zealand Banking Group Limited, as the Ultimate Parent Bank, may not provide material financial support to the Bank contrary to the following:

- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (should be limited as to specified time and amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- the Board of the Ultimate Parent Bank in determining limits on acceptable levels of exposure to the Bank should have regard to:
  - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in cases approval) is required before entering exceptionally large exposures; and
  - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank.
- the level of exposure to the Bank not exceeding:
  - 50% on an individual exposure basis; and
  - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank)

  of the Ultimate Parent Bank's capital base.

Additionally, the Ultimate Parent Bank may not provide material financial support in breach of the Australian Banking Act (1959). This requires the Australian Prudential Regulatory Authority to exercise its powers and functions for the protection of a bank's depositors and in the event of a bank becoming unable to meet its obligations or suspending payment the assets of the bank in Australia shall be available to meet that bank's deposit liabilities in Australia in priority to all other liabilities of the bank.

The Ultimate Parent Bank has not provided material financial support to the Bank contrary to any of the above requirements.

Pending Proceedings or Arbitration

There are no pending proceedings or arbitration concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Bank or the Banking Group as at the date of the General Disclosure Statement. The Banking Group has received amended tax assessments from the New Zealand Inland Revenue Department ('IRD') in respect of its review of certain structured finance transactions. The Banking Group is confident, based on independent tax and legal advice obtained, that its tax treatment of these transactions is correct and disagrees with the IRD's position. A description of the IRD investigation and issuance of tax assessments is set out in Note 35.

Other Material Matters

There are no matters relating to the business or affairs of the Bank and the Banking Group which are not contained elsewhere in the General Disclosure Statement and which would, if disclosed, materially adversely affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

GENERAL DISCLOSURES (continued)

Directorate and Auditors

The address to which any document or communication may be sent to any Director is ANZ National Bank Limited, Level 14, 215-229 Lambton Quay, PO Box 1492, Wellington, New Zealand. The document or communication should be marked for the attention of that Director.

Directors' Interests

In order to ensure that members of the Board are reminded of their disclosure obligations under the Companies Act 1993, the following procedures are adopted:

a) At least once in each year, Directors are requested to complete, in terms of section 140(1) of the Companies Act 1993, a disclosure of any interests which they have with the Bank itself. Directors are reminded at this time of their obligation under the Companies Act 1993 to disclose promptly any transaction or proposed transaction with the Bank in which they have an interest.

b) Directors are also requested to make a general disclosure of their interest in other entities in terms of section 140(2) of the Companies Act 1993. In addition, they are requested to initiate a review of that disclosure if there are any significant alterations which occur subsequently during the year.

In addition to the written disclosures referred to in paragraphs (a) and (b) above, Directors disclose relevant interests which they have before discussion of particular business items.

The Companies Act 1993 (subject to any different provision in the Bank's Constitution) allows a Director with an interest in a transaction to participate in discussions and to vote on all matters relating to that particular transaction. The Bank's Constitution does not alter that situation. However, the Board has adopted a guideline whereby a Director with an interest in a transaction should not be present during any discussions, and should not vote, on any matter pertaining to that particular transaction.

Transactions with Directors

No Director has disclosed that he or any immediate relative or professional associate has any dealing with the Banking Group which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties as a Director of the Bank.

Changes to Directorships

Since the publication of the previous Disclosure Statement on 8 August 2005, Graham Kennedy Hodges was appointed a Director of the Bank on 14 October 2005.

Board Members as at 21 November 2005

Non-Executive Director, Chairman

Dr Roderick Sheldon Deane
Ph.D, B Com (Hons), FCA, FCIS, FNZIM
Company Director
Wellington, New Zealand

Directorships
Chairman: Telecom Corporation of New Zealand Ltd, Fletcher Building Ltd, Fletcher Building Finance Ltd, New Zealand Seed Fund Management Ltd, New Zealand Seed Fund Partnership Ltd
Director: Australia and New Zealand Banking Group Ltd, Cordyline Ltd, IHC Mortgages Ltd, Woolworths Ltd, Totara Holdings Nominees Ltd

Executive Director

Sir John Anderson, KBE
FACA
Chief Executive
ANZ National Bank Ltd
Wellington, New Zealand

Directorships
Director: ANZ Holdings (New Zealand) Ltd, Spinks Holdings Ltd, New Zealand Cricket Marketing Ltd, ICC Development (International) Ltd, Rajand Holdings Ltd

Graham Kennedy Hodges
BEc (Hons)
Chief Executive Designate
ANZ National Bank Ltd
Wellington, New Zealand

Directorships
Nil

Non-Executive Directors

Dr Bob Edgar
Ph.D, BEc (Hons)
Senior Managing Director
Australia and New Zealand Banking Group Ltd
Melbourne, Australia

Directorships
Chairman: Esanda Finance Corporation Ltd
Director: ING Australia Ltd, ANZ Insage Pty Ltd

John McFarlane, OBE
MA, MBA
Chief Executive Officer
Australia and New Zealand Banking Group Ltd
Melbourne, Australia

Directorships
Director: Australia and New Zealand Banking Group Ltd, Ballimore Pty Ltd

GENERAL DISCLOSURES (continued)

Peter Ralph Marriott
BEc (Hons), FCA
Chief Financial Officer
Australia and New Zealand Banking Group Ltd
Melbourne, Australia

Directorships
Director: Binnstone Traders Pty Ltd, ANZ Capital Hedging Pty Ltd, ANZ (Delaware) Inc., ANZ Holdings (New Zealand) Ltd, Deori Pty Ltd, Esanda Finance Corporation Ltd, ANZEST Pty Ltd, ANZ Funds Pty Ltd, GNPL Pty Ltd, ANZ Investment Holdings Pty Ltd, ANZ Investments Pty Ltd, LFD Ltd, ANZ Orchard Investments Pty Ltd, RFDL Pty Ltd, Ballimore Pty Ltd

Independent Non-Executive Directors

Norman Michael Thomas Geary, CBE
B Com, FACA, FNZIM, FCIT
Company Director
Auckland, New Zealand

Directorships
Chairman: Gough Holdings Ltd, Gough Gough & Hamer Investments Ltd, Gough Gough & Hamer Ltd, Gough Gough & Hamer Properties Ltd, Gough Finance Ltd, Gough Transport Supplies Ltd, Transport Specialities Ltd, Transport Wholesale Ltd, Heavy Duty Transport Equipment Pty Ltd, Reyco Australia Pty Ltd
Director: Fisher & Paykel Appliances Holdings Ltd, Foodland Associated Ltd, Otago Innovation Ltd, DB Breweries Ltd

Robert Arnold McLeod
B Com, LLB, FCA
Company Director
Auckland, New Zealand

Directorships
Director: Aotearoa Fisheries Ltd, AFL Management Ltd, North East NZ Ltd, North East Ltd, North East Trustee Ltd, North East Statutory Supervisor Ltd, Debit and Credit (Wellington) Ltd, Gullivers Travel Group Ltd, Sky City Entertainment Group Ltd, Steward Ltd, Raukura Moana Fisheries Ltd, Tainui Group Holdings Ltd, Te Ohu Kai Moana Trustee Ltd, Robert A McLeod Ltd, McLeod Custodian Ltd, RAM Custodian Ltd, Telecom Corporation of New Zealand Ltd

Sir Dryden Spring
DSc
Company Director
Matamata, New Zealand

Directorships
Director: Sky City Entertainment Group Ltd, Port of Tauranga Ltd, Fletcher Building Ltd, Fletcher Building Finance Ltd

Audit Committee Members as at 21 November 2005

N M T Geary (Chairman)	Independent Non-Executive Director
Dr R S Deane	Non-Executive Director
Sir Dryden Spring	Independent Non-Executive Director
P R Marriott	Non-Executive Director
R A McLeod	Independent Non-Executive Director

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements. The Audit Committee Charter provides that the membership of the Audit Committee shall be not less than three non-executive Directors. The quorum shall be not less than two non-executive Director members.

Auditors

KPMG
Chartered Accountants
KPMG Centre
135 Victoria Street
PO Box 996
Wellington, New Zealand

CONDITIONS OF REGISTRATION

Conditions of Registration, applicable as at 21 November 2005. These Conditions of Registration have applied from 31 July 2005.

The registration of ANZ National Bank Limited ('the Bank') as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements at all times:

   - Capital of the Banking Group is not less than 8 percent of risk weighted exposures.
   - Tier 1 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.

   That the Bank complies with the following requirements at all times:

   - Capital of the Bank is not less than 8 percent of risk weighted exposures.
   - Tier 1 capital of the Bank is not less than 4 percent of risk weighted exposures.
   - Capital of the Bank is not less than NZ $15 million.

For the purposes of this condition of registration, capital, Tier 1 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 2005.

In its disclosure statements under the Registered Bank Disclosure Statement (Off-Quarter – New Zealand Incorporated Registered Banks) Order 2005, the Bank must include all of the information relating to the capital position of both the Bank and the Banking Group which would be required if the second schedule of that Order was replaced by the second schedule of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2005 in respect of the relevant quarter.

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.

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 Reserve Bank of New Zealand document entitled 'Connected Exposure Policy' (BS8) dated March 2005.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the board of the Bank contains at least two independent directors and that alternates for those directors, if any, are also independent. In this context an independent director (or alternate) is a director (or alternate) who is not an employee of the Bank, and who is not a director, trustee, or employee of any holding company (as that term is defined in section 5 of the Companies Act 1993) of the Bank, or any other entity capable of controlling or significantly influencing the Bank.

7. That the chairperson of the Bank's board is not an employee of the Bank.

8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

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

10. That none of the following actions may be taken except with the consent of the Reserve Bank:

    (i) Any transfer to another person or entity (other than the Bank or any member of the Banking Group which is incorporated in, and operating in, New Zealand) of all or a material part of any business (which term shall include the customers of the business) carried on by the Bank (or any member of the Banking Group); and

CONDITIONS OF REGISTRATION (continued)

(ii) Any transfer or change by which all or a material part of the management, operational capacity or systems of the Bank (or any member of the Banking Group) is transferred to, or is to be performed by, another person or entity other than the Bank (or any member of the Banking Group which is incorporated in, and operating in, New Zealand); and

(iii) Any action affecting, or other change in, the arrangements by which any function relating to any business carried on by the Bank (or any member of the Banking Group) is performed, which has or may have the effect that all or a material part of any such function will be performed by another person or entity other than the Bank (or any member of the Banking Group which is incorporated in, and operating in, New Zealand); and

(iv) Any action that prohibits, prevents or restricts the authority or ability of the board of the Bank or any statutory manager of the Bank (or the board of any member of the Banking Group or any statutory manager of any member of the Banking Group) to have unambiguous legal authority and practical ability to control and operate any business or activity of the Bank (or any member of the Banking Group).

11. 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.

12. (i) That the management of the Bank by its chief executive officer shall be carried out solely under the direction and supervision of the board of directors of the Bank.

(ii) That the employment contract of the chief executive officer of the Bank shall be with the Bank. The chief executive officer's responsibilities shall be owed solely to the Bank and the terms and conditions of the chief executive officer's employment agreement shall be determined by, and any decision relating to the employment or termination of employment of the chief executive officer shall be made by, the board of directors of the Bank.

(iii) That all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the chief executive officer of the Bank and be accountable (directly or indirectly) solely to the chief executive officer of the Bank.

13. (i) That no later than 31 December 2005 the Bank shall locate and continue to operate in New Zealand the whole of the Bank's domestic system and the board of directors of the Bank will have unambiguous legal and practical ability to control the management and operation of the domestic system on a stand alone basis in, and resourced wholly within, New Zealand.

(ii) That in respect of the international system the board of directors of the Bank will, no later than 30 June 2006, have unambiguous legal and practical ability to control the management and operation of the international system on a stand alone basis.

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

For the purposes of these conditions of registration, the term 'domestic system' means all property, assets and systems (including in particular (but without limitation) all management, administrative and information technology systems) owned, operated, or used, by the Bank supporting, relating to, or connected with:

(a) the New Zealand dollar accounts and channels servicing the consumer banking market (but potentially also other customer segments); and
(b) the general ledger covering subsidiary ledgers for (a) above, together with a daily updated summary of the subsidiary ledgers running on the international system; and
(c) any other functions, operations or business of, or carried on by, the Bank (now or at any time in the future) that are not included in, or form part of, the international system.

For the purposes of these conditions of registration the term 'international system' means those systems of the Bank generally having one or more of the following characteristics:

(a) supports foreign currency accounts/transactions;
(b) supports cross-border trade, payments and other transactions;
(c) supports businesses that operate in global markets;
(d) supports accounts and transactions undertaken by institutions, corporates and banks;
(e) used to manage large, volatile risk businesses which operate on a global basis;
(f) used to service customers who conduct accounts and transactions with the Bank in multiple countries;
(g) used by the non-Bank subsidiary companies.

CREDIT RATING INFORMATION

The Bank has two current credit ratings, which are applicable to its long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars. The credit ratings are:

Standard & Poor's **AA-**

Moody's Investors Service **Aa3**

The Standard & Poor's revised rating was first issued on 11 September 1996. There have been no changes in the credit rating issued in the past two years ended 30 September 2005. The rating is not subject to any qualifications.

The Moody's Investors Service rating was first issued on 31 July 2000. There have been no changes in the credit rating issued in the past two years ended 30 September 2005. The rating is not subject to any qualifications.

The following is a description of the major ratings categories by Ratings Agency:

Standard & Poor's – Credit rating scale for long-term ratings:

Ratings scale	Description
AAA	Extremely strong capacity to pay interest and repay principal in a timely manner. Highest rating assigned.
AA	Very strong capacity to pay interest and repay principal in a timely manner. This differs from the highest rating only in a small degree.
A	Strong capacity to pay interest and repay principal in a timely manner, but may be more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated entities.
BBB	Adequate capacity to pay interest and repay principal in a timely manner, however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet debt servicing commitments than higher rated entities.
BB	A degree of speculation exists with respect to the ability of an entity with this credit rating to pay interest and repay principal in a timely manner. Adverse business, financial, or economic conditions could impair the borrower's capacity to meet debt service commitments in a timely manner.
B	Entities rated B are more vulnerable to adverse business, financial or economic conditions than entities in higher rating categories. Adverse business, financial or economic conditions will likely impair the borrower's capacity or willingness to meet debt service commitments in a timely manner.
CCC	Entities rated CCC are currently vulnerable to default and are dependent on favourable business, financial and economic conditions to meet debt service commitments in a timely manner. In the event of adverse business, financial or economic conditions the entity is likely to default.
CC	Entities rated CC are currently highly vulnerable to non-payment of interest and principal.
C	Entities rated C have filed a bankruptcy petition or taken similar action, but payment of obligations are being continued.
D	D rated entities are in default. This is assigned when interest or principal payments are not made on the date due or when an insolvency petition or a request to appoint a receiver is filed.

Plus (+) or Minus (-): 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.

CREDIT RATING INFORMATION (continued)

Moody's Investors Service - Credit rating scale for long-term ratings:

Ratings scale	Description
Aaa	Judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as 'gilt edged'. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualised are most unlikely to impair the fundamentally strong position of such issues.
Aa	Judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.
A	Possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.
Baa	Considered as medium-grade obligations (i.e. they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterises bonds in this class.
B	Generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
Caa	These bonds are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.
Ca	Represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
C	These are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's Investors Service bond ratings, where specified, are applied to financial contracts, senior bank obligations and insurance company senior policyholder and claims obligations with an original maturity in excess of one year.

Moody's Investors Service applies numerical modifiers **1**, **2** and **3** in each generic rating classification from '**Aa**' through '**Caa**'. The modifier **1** indicates that the obligation ranks in the higher end of its generic rating category; the modifier **2** indicates a mid-range ranking; and the modifier **3** indicates a ranking in the lower end of that generic rating category.

SUMMARY OF FINANCIAL STATEMENTS

	Consolidated				
	30/09/2005 $m	30/09/2004 $m	30/09/2003 $m	30/09/2002 $m	30/09/2001 $m
Interest income	**5,985**	4,481	1,980	1,829	2,028
Interest expense	**4,069**	2,797	1,220	1,112	1,355
Net interest income	**1,916**	1,684	760	717	673
Other operating income	**800**	713	416	467	440
Net operating lease income	**51**	38	37	33	31
Net operating income	**2,767**	2,435	1,213	1,217	1,144
Operating expenses	**1,506**	1,265	559	545	528
Provision for doubtful debts	**122**	133	61	65	57
Operating surplus before tax	**1,139**	1,037	593	607	559
Tax expense	**404**	357	176	177	162
Operating surplus	**735**	680	417	430	397
Retained earnings at beginning of the year	**1,438**	958	841	786	1,007
Total available for appropriation	**2,173**	1,638	1,258	1,216	1,404
Appropriation					
Interim dividends	**(360)**	(200)	(300)	(375)	(618)
Retained earnings at end of the year	**1,813**	1,438	958	841	786

The Reserve Bank of New Zealand's guidelines require the Banking Group to show the specific provision charge to operating surplus as the 'impaired asset expense'. However, under the Banking Group's Bad and Doubtful Debts policy effective 1 October 1997, the required specific provision is no longer charged to operating surplus, but is transferred from the general provision balance. The Banking Group's annual provision for doubtful debts charge, which represents the expected average annual loss on principal over the economic cycle for the lending portfolio, is credited to the general provision.

	Consolidated				
	30/09/2005 $m	30/09/2004 $m	30/09/2003 $m	30/09/2002 $m	30/09/2001 $m
Total impaired assets (on-balance sheet and off-balance sheet)	**220**	123	25	43	98
Total assets	**85,301**	74,212	29,362	27,353	27,190
Total liabilities	**77,545**	66,831	27,998	26,106	25,998
Equity	**7,756**	7,381	1,364	1,247	1,192

The amounts included in this summary have been taken from the audited financial statements of the Banking Group.

STATEMENTS OF FINANCIAL PERFORMANCE for the year ended 30 September 2005

		Consolidated		Parent	
	Note	**30/09/2005 $m**	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Interest income	**4**	**5,985**	4,481	**5,532**	2,538
Interest expense	**5**	**4,069**	2,797	**4,254**	1,847
Net interest income		**1,916**	1,684	**1,278**	691
Other operating income	**4**	**800**	713	**5,776**	503
Net operating lease income	**4**	**51**	38	**-**	-
Net operating income		**2,767**	2,435	**7,054**	1,194
Operating expenses	**5**	**1,506**	1,265	**6,356**	762
Provision for doubtful debts	**13**	**122**	133	**110**	67
Operating surplus before tax		**1,139**	1,037	**588**	365
Tax expense	**6**	**404**	357	**215**	125
Operating surplus		**735**	680	**373**	240

The notes on pages 15 to 64 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF MOVEMENTS IN EQUITY for the year ended 30 September 2005

		Consolidated		Parent	
	Note	**30/09/2005 $m**	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Operating surplus		**735**	680	**373**	240
Total recognised revenues and expenses		**735**	680	**373**	240
Issue of ordinary shares	**30**	**-**	5,537	**-**	5,537
Interim dividends		**(360)**	(200)	**(360)**	(200)
Movement in equity for the year		**375**	6,017	**13**	5,577
Equity at beginning of the year		**7,381**	1,364	**6,602**	1,025
Equity at end of the year		**7,756**	7,381	**6,615**	6,602

The notes on pages 15 to 64 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION as at 30 September 2005

		Consolidated		Parent	
		30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	Note	**$m**	$m	**$m**	$m
ASSETS					
Liquid assets	**7**	**1,857**	1,473	**1,857**	1,456
Due from other financial institutions	**8**	**5,472**	2,930	**4,056**	1,851
Trading securities	**9**	**912**	680	**912**	680
Investment securities	**10**	**1,270**	1,333	**1,270**	1,030
Net loans and advances	**11,12,13**	**69,139**	60,391	**65,788**	56,712
Due from subsidiary companies		**-**	-	**1,430**	30
Investment in subsidiary and associate companies	**14**	**158**	21	**7,496**	12,275
Income tax assets	**18**	**481**	406	**561**	384
Goodwill	**19**	**3,081**	3,381	**3,046**	3,335
Other assets	**20**	**2,197**	2,927	**2,083**	2,828
Premises and equipment	**21**	**734**	670	**130**	139
Total assets		**85,301**	74,212	**88,629**	80,720
LIABILITIES					
Due to other financial institutions	**22**	**4,204**	1,372	**2,151**	1,006
Deposits and other borrowings	**23**	**59,546**	53,912	**47,959**	44,039
Due to subsidiary companies		**-**	-	**23,878**	19,928
Income tax liabilities	**24**	**144**	227	**114**	121
Creditors and other liabilities	**25**	**3,245**	4,299	**3,046**	4,115
Provisions	**26**	**142**	140	**137**	132
Bonds and notes	**27**	**6,139**	2,747	**604**	643
Related party funding	**28**	**2,650**	2,777	**2,650**	2,777
Loan capital	**29**	**1,475**	1,357	**1,475**	1,357
Total liabilities		**77,545**	66,831	**82,014**	74,118
Net assets		**7,756**	7,381	**6,615**	6,602
EQUITY					
Paid in share capital	**30**	**5,943**	5,943	**5,943**	5,943
Retained earnings		**1,813**	1,438	**672**	659
Total equity		**7,756**	7,381	**6,615**	6,602

For and on behalf of the Board of Directors:

Dr Roderick Sheldon Deane
Director
21 November 2005

Sir John Anderson
Director
21 November 2005

The notes on pages 15 to 64 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF CASH FLOWS for the year ended 30 September 2005

	Note	Consolidated 30/09/2005 $m	Consolidated 30/09/2004 $m	Parent 30/09/2005 $m	Parent 30/09/2004 $m
Cash flows from operating activities					
Cash was provided from:					
Interest received		**5,861**	4,316	**5,414**	2,454
Other income		**953**	771	**709**	423
Dividends received		**1**	-	**5,019**	30
Refund of tax		**-**	147	**-**	-
		6,815	5,234	**11,142**	2,907
Cash was applied to:					
Interest paid		**(3,589)**	(2,688)	**(3,799)**	(1,747)
Operating expenses		**(1,288)**	(1,083)	**(1,228)**	(682)
Payment of tax		**(521)**	(339)	**(397)**	(159)
		(5,398)	(4,110)	**(5,424)**	(2,588)
Net cash flow from operating activities	**40**	**1,417**	1,124	**5,718**	319
Cash flows from investing activities					
Cash was provided from:					
Cash and cash equivalents acquired with subsidiaries		**-**	2,884	**-**	-
Cash and cash equivalents acquired on amalgamation of subsidiary		**-**	-	**-**	797
Decrease in due from other financial institutions - term		**-**	557	**-**	-
Decrease in investment securities		**296**	-	**-**	-
Decrease in due from subsidiary companies		**-**	-	**-**	1,181
Disposal of shares in subsidiary companies		**158**	-	**158**	-
Decrease in investment in associate companies		**9**	-	**-**	-
Decrease in other assets		**601**	215	**654**	-
Disposal of premises and equipment		**66**	57	**1**	3
		1,130	3,713	**813**	1,981
Cash was applied to:					
Increase in due from other financial institutions - term		**(2,986)**	-	**(2,653)**	(144)
Increase in investment securities		**-**	(236)	**(7)**	(194)
Increase in loans and advances		**(8,870)**	(3,059)	**(9,186)**	(1,998)
Increase in due from subsidiary companies		**-**	-	**(1,400)**	-
Acquisition of shares in subsidiary companies		**-**	(5,507)	**-**	(5,507)
Increase in investment in associate companies		**(166)**	(6)	**(166)**	-
Increase in other assets		**-**	-	**-**	(482)
Acquisition of premises and equipment		**(263)**	(229)	**(29)**	(56)
		(12,285)	(9,037)	**(13,441)**	(8,381)
Net cash flow from investing activities		**(11,155)**	(5,324)	**(12,628)**	(6,400)

The notes on pages 15 to 64 form part of and should be read in conjunction with these financial statements.

STATEMENTS OF CASH FLOWS for the year ended 30 September 2005 (continued)

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Cash flows from financing activities				
Cash was provided from:				
Increase in due to other financial institutions - term	**2,195**	-	**427**	25
Increase in deposits and other borrowings	**5,301**	-	**3,587**	-
Increase in due to subsidiary companies	**-**	-	**3,950**	670
Increase in creditors and other liabilities	**-**	-	**-**	471
Increase in bonds and notes	**3,425**	1,381	**-**	-
Increase in related party funding	**-**	325	**-**	325
Increase in loan capital	**200**	223	**200**	223
Issue of ordinary shares	**-**	5,537	**-**	5,537
	11,121	7,466	**8,164**	7,251
Cash was applied to:				
Decrease in due to other financial institutions - term	**-**	(392)	**-**	-
Decrease in deposits and other borrowings	**-**	(1,101)	**-**	(600)
Decrease in due to subsidiary companies	**-**	-	**-**	-
Decrease in creditors and other liabilities	**(1,179)**	(933)	**(1,175)**	-
Decrease in bonds and notes	**(82)**	(343)	**(25)**	(15)
Decrease in related party funding	**(127)**	-	**(127)**	-
Decrease in loan capital	**(100)**	(101)	**(100)**	(101)
Dividends	**(360)**	(200)	**(360)**	(200)
	(1,848)	(3,070)	**(1,787)**	(916)
Net cash flow from financing activities	**9,273**	4,396	**6,377**	6,335
Net cash flow from operating activities	**1,417**	1,124	**5,718**	319
Net cash flow from investing activities	**(11,155)**	(5,324)	**(12,628)**	(6,400)
Net cash flow from financing activities	**9,273**	4,396	**6,377**	6,335
Net (decrease) increase in cash and cash equivalents	**(465)**	196	**(533)**	254
Opening cash and cash equivalents	**2,855**	2,659	**2,908**	2,654
Closing cash and cash equivalents	**2,390**	2,855	**2,375**	2,908
Reconciliation of closing cash and cash equivalents to the statement of financial position				
Liquid assets	**1,857**	1,473	**1,857**	1,456
Due from other financial institutions - at call	**666**	1,110	**656**	1,104
Trading securities	**912**	680	**912**	680
Due to other financial institutions - at call	**(1,045)**	(408)	**(1,050)**	(332)
	2,390	2,855	**2,375**	2,908

The notes on pages 15 to 64 form part of and should be read in conjunction with these financial statements.

1. ACCOUNTING POLICIES

(i) Statutory base

These financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005 (the 'Order'). The parent company's financial statements are for ANZ National Bank Limited (the 'Bank') as a separate entity and the consolidated financial statements are for the ANZ National Bank Limited Group (the 'Banking Group'), which includes subsidiaries and associate companies disclosed in Note 42.

(ii) Measurement base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts, adjusted by the revaluation of trading securities and the deemed cost of properties.

(iii) Changes in accounting policies

There have been no changes in accounting policies during the year.

(iv) Consolidation

The purchase method of accounting is used in the preparation of consolidated financial statements.

The consolidated financial statements include the financial statements of the parent company and its controlled entities. Intercompany balances and transactions have been eliminated on consolidation.

Controlled entities are valued in the financial statements of the parent company at the lower of cost or net tangible assets.

Where controlled entities have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

Control means the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the objectives of the controlling entity.

The Banking Group adopts the equity method of accounting for associates. Shares in associates are stated in the consolidated statement of financial position at cost plus the Banking Group's share of post acquisition net assets. Interests in associates are reviewed annually for impairment. The Banking Group's share of results of associates is included in the consolidated statement of financial performance.

The Banking Group may invest in or establish special purpose companies, or vehicles, to enable it to undertake specific types of transactions. Where the Banking Group controls such vehicles, they are consolidated into the Banking Group's financial results.

(v) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years.

The unamortised balance of goodwill and notional goodwill and the period of amortisation are reviewed annually for impairment at balance date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

(vi) Foreign currency

All amounts are expressed in New Zealand dollars unless otherwise stated.

Transactions in overseas currencies are translated at the rates of exchange ruling at the date of transaction. For those transactions covered by forward exchange contracts, the forward contract exchange rate is used.

Monetary items denominated in overseas currencies are translated into New Zealand currency at the rate of exchange ruling at balance date. The realised and unrealised gain or loss resulting from currency transactions is included in the statement of financial performance.

Costs and revenues associated with long-term forward cover, currency swaps and interest rate swaps, are recognised in the statement of financial performance over the period of the transaction.

Revenue and expenses of overseas branches and controlled entities are translated at average exchange rates for the year.

Net translation differences arising from the translation of independent foreign operations are included in the foreign currency translation reserve, after allowing for those positions hedged by foreign exchange contracts and related currency borrowings (net of tax).

(vii) Recognition of fee income

Fee and commission income are brought to account on an accruals basis. Yield-related front-end application fees received are deferred and accrued to income as an adjustment of yield over the period of the loan.

Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires.

Fees and commissions that relate to the execution of a significant act (for example, advisory services, placement fees and underwriting fees) are taken to income when the fees are receivable. Fees charged for providing ongoing services that represent the recovery of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as revenue in the period in which the service is provided.

(viii) Recognition of interest expense

Interest on liability accounts is accounted for on an accruals basis and recognised when credited to customer accounts.

(ix) Offsetting

In accordance with International Accounting Standard IAS 1 "Presentation of Financial Statements", costs that represent expenditure that is reimbursed under a contractual arrangement have been netted against the related revenue. Included in this category are card issuer reimbursement fees, cash advance fees and brokerage.

(x) Trading securities

Securities held for trading purposes are recorded at market value. Trading securities are recorded on a trade date basis. Unrealised gains and losses on revaluation are taken to the statement of financial performance. Except for contracts subject to master netting agreements that create a legal right of set off for which the net revaluation amount is recognised on the statement of financial performance, unrealised gains on trading securities are recognised as part of other assets and

1. ACCOUNTING POLICIES (continued)

unrealised losses are recognised as part of other liabilities in a category described as "derivative revaluations".

Market value for listed and unlisted securities is determined by the price displayed by a willing buyer in a liquid market at the reporting date. Where a market price in a liquid market is not readily available, the market value is determined by reference to the market price available for a security with similar credit, maturity and yield characteristics or by using industry standard pricing models.

(xi) Investment securities

Investment securities are those which the Banking Group intends and has the ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts. Investment securities are recorded on a trade date basis.

Premiums and discounts are capitalised and amortised from the date of purchase to maturity. Interest income is accrued. Dividend income is accrued when declared. Changes in market values of the securities are not taken into account unless there is considered to be a permanent diminution in value. Market value, used for impairment issues, is determined in accordance with the methodology discussed under trading securities.

(xii) Net loans and advances

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, personal loans, lease finance, hire purchase finance and commercial bills.

Overdrafts, credit cards, term loans and personal loans are carried at principal balances outstanding. Interest on these accounts is accounted for on an accruals basis.

Finance leases, including hire purchase contracts are accounted for using the finance method whereby the income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance.

Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the statement of financial performance as part of interest income.

As part of the Banking Group's lending policy, adequate and appropriate security is obtained where deemed necessary. Factors considered are the quality and priority of the securities obtained. Securities include registered first mortgages, debenture trust deeds, charges over assets and enforcement of financial covenants.

(xiii) Credit assessment

All loans are subject to regular scrutiny and graded according to the level of credit risk. Loans are classified as productive or non-accrual.

Impaired assets include non-accrual loans, restructured loans and assets acquired through the enforcement of security.

Non-accrual loans include those loans where the accrual of interest and fees has ceased due to doubt as to full recovery of interest, fees and/or principal, and loans that have been restructured with an effective yield below the Banking Group's average costs of funds at the date of restructuring. A specific provision is raised to cover the expected loss, where full recovery of principal is doubtful.

Restructured loans are those loans where the counterparty had difficulty complying with the original terms of the contract and the original terms have been modified to grant the counterparty concessional terms where the yield of the loan is equal to or greater than the Banking Group's average cost of funds and below the yield applicable to a customer of equal credit standing.

Assets acquired through the enforcement of security are those assets which are legally owned by the Banking Group as a result of enforcing security, other than any buildings occupied by the Banking Group.

Cash receipts on non-accrual loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security.

Past due assets are any loans that have not been operated by the counterparty within its key terms for at least 90 days.

Other assets under administration are any loans, not being impaired or past due, where the customer is in any form of voluntary or involuntary administration.

(xiv) Bad and doubtful debts

The Banking Group's annual debt provision charge represents the expected average annual loss on principal over the economic cycle for the lending portfolio. The debt provision charge is credited to the general provision. The general provision is maintained to cover losses inherent within the Banking Group's existing loan portfolio.

The method used by the Banking Group for determining this debt provision charge is referred to as 'economic loss provisioning' (ELP). The Banking Group uses ELP models to calculate the expected loss by considering the history of credit loss for each type and risk grade of lending, and the size, composition and risk profile of the current loan portfolio.

The Banking Group regularly reviews the assumptions used in the ELP models. These reviews are conducted in recognition of the subjective nature of ELP methodology. Methodologies are updated as improved analysis becomes available. In addition, the robustness of outcomes is reviewed considering the Banking Group's actual loss experience, and losses sustained by other banks operating in similar markets.

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the ELP methodology, the existing general provision may be determined to be rather in excess of or insufficient to cover credit losses not yet specifically identified. As a result of the reassessments, ELP charge levels may be periodically increased or decreased.

Specific provisions are maintained to cover identified doubtful debts. All known bad debts are written off in the period in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

1. ACCOUNTING POLICIES (continued)

Provisions for doubtful debts are deducted from loans and advances in the statement of financial position. Operating subsidiaries within the Banking Group maintain appropriate provisions for doubtful debts.

(xv) Premises and equipment

Premises and equipment are stated at cost less depreciation or amortisation. In accordance with generally accepted accounting principles, premises are at deemed cost.

Profit or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is included in the results of the Banking Group in the period of disposal.

Depreciation of premises and equipment, other than freehold land, is calculated on a straight line basis over the estimated useful lives of the assets which have been assessed as follows:

Buildings	1%
Building integrals	10%
Furniture and equipment	10%
Computer and office equipment	12.5% to 33%
Software	14% to 33%
Motor vehicles	20%

Expenditure on leasehold improvements is amortised on a straight line basis over the unexpired portion of the lease.

Costs incurred in acquiring and building software and computer systems are capitalised as fixed assets and expensed as amortisation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

The carrying values of all non-current assets have been assessed and are not in excess of their recoverable amounts. Recoverable amounts are determined through a combination of comparisons with market values and cash flows. If the carrying value of non-current assets exceeds its recoverable amount, the asset is written down to the lower value. Where assets working together as a group support the generation of cash flows, the recoverable amount is assessed in relation to the group of assets.

(xvi) Operating leases

Leases entered into by the Banking Group as a lessee are predominantly operating leases, and the operating lease payments are included in the statement of financial performance in equal instalments over the lease term.

Leases entered into by the Banking Group as a lessor are predominantly operating leases, and the operating lease rentals are included in the statement of financial performance on a systematic basis over the lease term. Gross operating lease income comprises amounts received under the lease contracts.

Operating lease assets are stated at cost less accumulated depreciation and are included as part of premises and equipment. Depreciation is calculated using a systematic basis over the estimated useful lives of those assets after deducting any residual values. Residual values are reviewed on a regular basis to ensure they represent realistic estimates of net realisable value at lease expiry. The estimated lives of lease assets vary up to 10 years.

(xvii) Statement of cash flows

Basis of preparation

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items as disclosed below.

Cash and cash equivalents

Cash and cash equivalents includes coins, notes, interbank balances, money at call, bills receivable, trading securities, remittances in transit and net balances with other financial institutions with the ability to be converted to cash within two days or less.

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Banking Group. These include customer loans and advances, customer deposits, certificates of deposit, related party balances and trading securities.

(xviii) Income tax

The Banking Group adopts the comprehensive basis under the liability method of tax effect accounting whereby income tax expense is calculated based on operating surplus before tax adjusted for permanent differences.

Permanent differences are items of expense and revenue which are included in the statement of financial performance but are not part of taxable income or vice-versa.

Future tax benefits and deferred tax liabilities relating to timing differences and tax losses are carried forward at tax rates applicable to future periods. Future tax benefits are only carried forward where realisation of the benefits is considered virtually certain.

(xix) On-balance sheet financial instruments

A financial asset or a financial liability is recognised in the statement of financial position if it is probable that any future economic benefit or service potential associated with the item will flow to or from the Banking Group and the item has a cost or value that can be measured with reliability.

(xx) Off-balance sheet financial instruments

Off-balance sheet financial instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include foreign exchange contracts, forward rate agreements, interest rate and currency swaps, futures, options and combinations of these instruments.

Those off-balance sheet financial instruments that are entered into for trading purposes or used as hedges of other trading instruments are measured at fair value and all gains and losses, whether realised or unrealised, are taken to other operating income in the statement of financial performance. The fair value of trading off-balance sheet financial instruments in a loss position are not offset against the market value of those in a gain position, unless a legal right of set-off exists.

Off-balance sheet financial instruments that are designated, and effective, as hedges of underlying non-trading exposures are accounted for on the same basis as the underlying exposures. To be designated as a hedge, the fair value or cash flows of the hedge must move inversely with changes in the fair value or cash flows of the underlying exposure.

1. ACCOUNTING POLICIES (continued)

Gains and losses resulting from the termination of an off-balance sheet financial instrument that was designated as a hedge of non-trading exposures are deferred and amortised over the remaining period of the original term covered by the terminated instrument where the underlying exposure still exists. The gains or losses are recorded in the income or expense line in which the underlying exposure movements are recorded. Where the underlying exposure no longer exists, the gains and losses are recognised in the statement of financial performance in the other operating income line.

Gains and losses on off-balance sheet financial instruments related to hedging exposures arising from anticipated transactions are deferred and recognised in the financial statements when the anticipated transaction occurs. These gains and losses are deferred only to the extent that there is an offsetting unrecognised (unrealised) gain or loss on the exposures being hedged. Deferred gains and losses are amortised over the expected term of the hedged exposure and are recorded in the results of operations in the same line as the underlying exposure. The deferred gain or loss is recorded in other liabilities or other assets in the statement of financial position.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the statement of financial performance.

(xxi) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements and a counterparty liability is disclosed under the classifications of due to other financial institutions or deposits and other borrowings. The difference between the sale price and the repurchase price is amortised over the life of the repurchase agreement and charged to interest expense in the statement of financial performance.

Securities purchased under agreements to resell are recorded as liquid assets, net loans and advances, or due from other financial institutions, depending on the term of the agreement and counterparty.

(xxii) Pension and cash accumulation schemes

The Banking Group's contribution to defined benefit and cash accumulation superannuation schemes is included within personnel costs. The assets of the defined benefit and cash accumulation schemes are held in trust and are not included in these financial statements as the Banking Group does not have direct or indirect control of these schemes. The benefits under the schemes are provided from contributions by employee members and by the Banking Group, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at a minimum of every three years.

(xxiii) Employee entitlements

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Liability for long service leave is accrued in respect of all applicable employees at the present value of future amounts expected to be paid.

(xxiv) Securitisation, funds under management, and other fiduciary activities

Certain subsidiaries of the Bank, act as trustees and/or managers for a number of unit trusts and investment funds, including retirement funds. The Bank provides private banking services to customers including portfolio management. The assets of the managed funds and private banking clients are not included in these financial statements, as direct or indirect control of the funds is not held by the Banking Group. Commissions and fees earned in respect of the Banking Group's funds under management are included in operating surplus.

Financial services provided by any member of the Banking Group to discretionary private banking activities or entities conducting funds management, and assets purchased from discretionary private banking activities or entities conducting funds management are on arm's length terms and conditions, and at fair value.

Securitised assets are removed from the balance sheet if all criteria for a clean sale to the securitisation vehicle are met.

(xxv) Capitalised expenses

Expenses related to the acquisition of interest earning assets are initially recognised as part of the cost of acquiring the asset and written off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis. Impairment of capitalised expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

(xxvi) Life insurance

The Banking Group's life insurance business was conducted through NBNZ Life Insurance Limited until 30 September 2005 and its results consolidated until that date. On 30 September 2005, NBNZ Life Insurance Limited was sold to ING (NZ) Holdings Limited, an associate company of the Bank (see Note 17), which is accounted for in accordance with the equity method of accounting. The associate adopts similar accounting policies to those described here.

The operating results have been determined in accordance with the "Margin on Services" methodology. Insurance premiums on policies are included in the statement of financial performance at the time premiums are charged/due from policyholders. Claims are recognised as expenses in the statement of financial performance. Surrenders/cancellations are recognised when paid. Claims are recognised when the liability to the policyholder under the policy contract has been established.

Policy liabilities and other liabilities are measured at net present value of estimated future cash flows, in accordance with the "Margin on Services" methodology. Changes in the net present values are recognised in the statement of financial performance as revenue or expenses in the period in which they occur.

Independent actuaries Melville Jessup Weaver are employed to determine the valuation of the policy liabilities, in accordance with the standards of the New Zealand Society of Actuaries. Actuarial valuations are carried out annually.

1. ACCOUNTING POLICIES (continued)

All assets are measured at the net market values as at the reporting date. Changes in the net market values are recognised in the statement of financial performance as revenue or expenses in the period in which they occur.

(xxvii) Comparatives

To ensure consistency with the current year, comparative figures have been restated where appropriate.

(xxviii) Impact of acquisition of NBNZ Holdings Limited ('NBNZ Group') and amalgamation of The National Bank of New Zealand Limited ('NBNZ')

The 30 September 2004 consolidated financial statements include the 10 month results of the NBNZ Group from the date of acquisition, 1 December 2003.

The 30 September 2004 parent financial statements include the 3 month results of NBNZ from the date of amalgamation, 26 June 2004.

2. RISK MANAGEMENT POLICIES

The Banking Group manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering the Banking Group's response to emerging risk issues and trends, and that the requisite culture and practices are in place across the Banking Group, are conducted within the Banking Group and also by the Ultimate Parent Bank. The Board has responsibility for reviewing all aspects of risk management. The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements and internal and external audit processes. The Committee has a quorum of two directors, both of whom must be non-executive directors. It meets at least four times a year, and reports directly to the Board.

The risk management process is subject to oversight by the Risk Management Committee of the Ultimate Parent Bank Board. This includes the review of risk portfolios and the establishment of prudential policies and controls. Associated with this, the Ultimate Parent Bank auditor, KPMG, and the Australian Prudential Regulatory Authority regularly review the risk management function of the Ultimate Parent Bank Group, including the Banking Group.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. The Banking Group's Risk Management Committee assists the Board in this function. The role of the Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, compliance, liquidity and reputational risk management, and to liaise and consult with the Ultimate Parent Bank Risk Management Committee to assist it to discharge its responsibilities. The Banking Group has an independent Risk Management function, which via the Chief Risk Officer, coordinates risk management directly between Business Unit risk functions and Ultimate Parent Bank Group Risk Management functions.

The Banking Group continues to principally operate the risk management policies and processes it had in place prior to its acquisition of the NBNZ Group. These policies and processes are essentially the same as the Ultimate Parent Bank, but tailored where required to suit the local New Zealand regulatory and business environment. The primary area of difference relates to the Risk Management Framework – the Banking Group has its own Risk Management division. As integration progresses, different risk management policies and practices acquired with NBNZ Group are being aligned with Ultimate Parent Bank risk management policies and practices, allowing for local regulatory and operating factors.

Credit risk, including concentrations of credit risk, intra day credit risk, credit risk to bank counterparties and related party credit risk, is the potential loss arising from the non-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk policy and management is executed through the Chief Risk Officer who has various dedicated areas within the Risk Management division, – Wholesale Credit, Rural Credit, and Retail Credit. Wholesale Credit services the Banking Group's corporate and investment banking activities, Rural Credit services the Banking Group's rural lending activities, while Retail Credit services the Banking Group's small business and consumer customers. The Banking Group allows sole discretion for transaction approvals at the Business Unit level in the retail and rural lending sectors, with larger transactions approved by Retail Credit or Rural Credit. All major credit decisions (or automated decision processes) for the Banking Group's corporate and investment banking activities require dual approval by either Wholesale Credit or the Ultimate Parent Bank Group Risk Management and the Banking Group business unit based personnel.

Traded Market risk is overseen by a specialist function within Group Risk Management of the Ultimate Parent Bank. This function provides specific oversight of each of the main trading areas and is responsible for the establishment of a Value at Risk (VaR) framework and detailed control limits. In all trading areas the Banking Group has implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and 'stress test' trading portfolios. These models comply with the Australian Prudential Regulatory Authority Prudential Standard APS113 (Capital for Market Risk). The Banking Group has its own Asset and Liability Committee ('ALCO'), comprising executive management to provide monthly oversight of Market Risk.

The Chief Risk Officer is responsible for daily review and oversight of Market Risk reports. Group Risk Management has an extensive market risk limit framework to manage the nature and extent of market risk, which incorporates a well-defined limit setting and excess approval process. The Chief Risk Officer has the authority for instructing the business to close exposures, withdraw limits and grant temporary limit increases where appropriate.

Market risk is the risk of loss from changes in value of financial instruments due to movements in price factors for both physical and derivative trading positions. These risks are monitored daily against a comprehensive limit framework that includes VaR, aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:

- ***Currency risk*** is the potential loss arising from the decline in the value of a financial instrument, due to changes in foreign exchange rates or their implied volatilities.
- ***Interest rate risk*** is the potential loss arising from the change in the value of a financial instrument, due to changes in market interest rates or their implied volatilities.
- ***Credit Spread risk*** is the potential loss arising from a decline in value of an instrument due to a deterioration in the creditworthiness of the issuer of the instrument.

  VaR Methodology: All the above risks are measured using a VaR methodology. The VaR methodology is a statistical estimate of the maximum daily decrease in market value with a 97.5% confidence. Conversely there is a 2.5% probability of the decrease in market value exceeding the VaR estimate on any given day. The Group has adopted the historical simulation methodology as its standard for the calculation of VaR. This methodology is based on assessing the change in value of portfolios each day against historical prices.

Balance Sheet Risk Management embraces the management of non-traded interest rate risk, liquidity and the risk to capital and earnings as a result of exchange rate movements. A specialist balance sheet management unit manages these risks in New Zealand and Australia, and is overseen by both New Zealand and Group Risk Management and the New Zealand and Group Asset and Liability Committees.

2. RISK MANAGEMENT POLICIES (continued)

- ***Interest rate risk*** management's objective is to produce strong and stable net interest income over time. The Banking Group uses simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Non-traded interest rate risk is managed to both value and earnings at risk limits.
- ***Currency risk*** relates to the potential loss arising from the decline in the value of foreign currency positions due to changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures, arising from each class of financial asset and liability, whether recognised or unrecognised, within each currency are not material.
- ***Liquidity risk*** is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Banking Group maintains sufficient liquid funds to meet its commitments based on historical and forecasted cash flow requirements. Liquidity risk is measured through cash flow modelling, with profiles produced for both normal business and short-term crisis conditions.
- ***Equity risk*** is the potential loss arising from the decline in the value of equity instruments held by the Banking Group due to changes in their equity market prices or implied volatilities.

Operational Risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the Bank's reputation. Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Business Units have primary responsibility for the identification and management of operational risk. The Banking Group's Risk Management Committee provides policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as technology risk and payments risk. The Banking Group's Risk Management Committee, the Chief Risk Officer, the Board and the Risk Management Committee of the Ultimate Parent Bank Board conduct Board and Executive oversight.

Compliance seeks to minimise material risks to the Banking Group's reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business Units have primary responsibility for the identification and management of compliance. The Banking Group's Risk Management division provides policy and framework, measurement, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. The Banking Group's Risk Management Committee, the Chief Risk Officer, the Board and the Risk Management Committee of the Ultimate Parent Bank Board conduct Board and Executive oversight.

Group Audit, the Banking Group's internal audit function, conducts independent reviews that assist the Board of Directors and management to meet their statutory and other obligations. Group Audit has no reporting line to ANZ Management. Group Audit reports directly to the Chairman of the Audit Committee. Under its Charter, Group Audit conducts independent appraisals of:

- The continued operation and effectiveness of the internal controls in place to safeguard and monitor all material risks to the Banking Group;
- The completeness and accuracy of the financial and other records of the Banking Group;
- Compliance with Board policies and management directives;
- Compliance with the requirements of supervisory regulatory authorities;
- The economic and efficient management of resources; and
- The effectiveness of operations undertaken by the Banking Group.

In performing this role, Group Audit adopts a risk-based approach, encompassing reviews of the major credit, market and operating risks within the Banking Group. Significant findings are reported quarterly to the Audit Committee of the Banking Group. The Group General Manager, Audit makes an attestation on the adequacy of controls half yearly to the Ultimate Parent Bank Audit Committee. The Head of Audit of the Banking Group makes a quarterly attestation on the adequacy of controls to satisfy the quarterly General Disclosure Statement requirements.

A Strategic Audit Plan is prepared annually covering each business area of the Banking Group, with greater emphasis placed on those areas where the highest risk exists. The Plan is endorsed by the Audit Committees of the Banking Group and the Ultimate Parent Banking Group.

Integration Review

As previously disclosed in the 31 March 2005 General Disclosure Statement, the Reserve Bank of New Zealand ('RBNZ') requested on 25 November 2004 that the Bank provide the RBNZ with detailed Plans for achieving stand-alone capability for the purposes of Conditions of Registration 10 and 13 together with independent review reports on those Plans. The RBNZ outlined the terms of reference for the independent reviews pursuant to Section 95 of the Reserve Bank of New Zealand Act 1989.

At 31 March 2005, the Bank's Conditions of Registration required, *inter alia*, that by no later than 31 December 2005, the Bank shall locate and continue to operate in New Zealand, and resource wholly within New Zealand, its 'domestic system' and the board of directors will have unambiguous legal and practical ability to control the management and operation of the domestic system and the 'international system' on a stand alone basis ('Condition 13'). This Condition has been introduced as a result of the RBNZ's concerns about outsourcing. These concerns have been detailed in the RBNZ's Proposed Policy on Outsourcing, which was first issued for consultation in November 2004.

2. RISK MANAGEMENT POLICIES (continued)

The RBNZ subsequently issued a revised draft Outsourcing Policy on 4 October 2005 to require the Bank to have the legal and practical ability to control and execute any outsourced functions to ensure that they have the ability to continue to provide core liquidity, payment and transaction services. The RBNZ has advised that it is close to finalising this policy and it may result in changes to the Bank's Conditions of Registration.

In July 2005 the RBNZ agreed to extend the completion date for Condition 13(ii) and now requires the board of directors to have unambiguous legal and practical ability to control the management and operation of the 'international system' on a stand alone basis, by 30 June 2006. This extension was granted to enable the Bank to develop a compliance programme for the new requirements being developed by the RBNZ.

However, the RBNZ continued to require compliance with Condition 13(i) by no later than 31 December 2005. The Plan to achieve compliance with Condition 13 (i) was prepared in consultation with the RBNZ. As part of ongoing discussions with the RBNZ, the RBNZ has asked the Bank to prepare a revised Plan in the first quarter of 2006 to address the final Outsourcing Policy (expected to be released before the end of 2005) in order to achieve compliance with Condition 13 (ii).

At this stage, delivery of the Plans is on schedule and continues to be the subject of regular reporting to the RBNZ. However, it is important to note that there are a number of external influences outside of the control of the Bank that could impact the delivery of the Plans within the timeframe set and the cost of delivery of those Plans. Accordingly, the Bank continues to monitor the progress of the Plans and keeps the RBNZ fully informed.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Management of the Banking Group's transition to NZ IFRS

The Ultimate Parent Company, Australia and New Zealand Banking Group Limited adopted the Australian equivalents to International Financial Reporting Standards for the reporting period commencing 1 October 2005. Hence, from this date, the Bank and its subsidiaries have elected to prepare financial statements using New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') as issued by the International Accounting Standards Board and approved by the Accounting Standards Review Board. The Banking Group will report for the first time in compliance with NZ IFRS when the results for the three months ended 31 December 2005 are released.

The Banking Group is required to prepare an opening balance sheet in accordance with NZ IFRS as at 1 October 2004. Most accounting policy adjustments to retrospectively apply NZ IFRS will be made against retained earnings in this opening balance sheet. However, transitional adjustments relating to those standards for which comparatives are not required will only be made on 1 October 2005. These standards are NZ IAS 32: 'Financial Instruments: Disclosure and Presentation', NZ IAS 39: 'Financial Instruments: Recognition and Measurement', and NZ IFRS 4: 'Insurance Contracts'.

Impact of transition to NZ IFRS

The key impacts identified below are based on accounting policy decisions and known interpretations of NZ IFRS current at the date of these financial statements. Further developments in NZ IFRS attributable to:

- new or revised accounting standards or interpretations issued by the New Zealand Accounting Standards Board;
- additional guidance on the application of NZ IFRS to the financial industry; or
- changes to the Banking Group's operations, if any;

may result in changes to accounting policy decisions made to date and, consequently, the likely impacts outlined below. Any such changes will be reflected within the Banking Group's first NZ IFRS compliant financial statements for the three months ending 31 December 2005, or later financial statements as appropriate.

The key impacts identified below are separated between those applicable for the comparative financial year (i.e. from 1 October 2004), and those applicable from 1 October 2005.

All amounts are stated on an after tax basis, unless otherwise stated.

Issues with effective impact from 1 October 2004

(i) Goodwill
No initial impact on retained earnings; Potential volatility in future earnings

The adoption of NZ IFRS does not impact the carrying amount of goodwill on transition as the Banking Group has elected not to restate past business combinations. Under NZ IFRS, the past practice of systematically amortising goodwill over the expected period of benefit ceases and is replaced by impairment testing annually or more frequently if events or circumstances indicate that goodwill might be impaired. As a result, the Banking Group and Parent amortisation expense for the NZ IFRS comparative financial year ended 30 September 2005 will decrease by $182 million and $171 million respectively.

(ii) Defined benefit superannuation plan
Initial increase in retained earnings; Actuarial movements through retained earnings

On adoption of NZ IAS 19: 'Employee Benefits', surpluses (assets) and/or deficits (liabilities) that arise within defined benefit superannuation schemes will be recognised in the statement of financial position.

Under NZ GAAP, the Banking Group accounts for the defined benefit superannuation schemes on a cash basis and does not currently recognise an asset or liability for the net position of the defined benefit superannuation schemes.

The Banking Group has elected to apply the option available under NZ IAS 19 to recognise actuarial gains and losses in the Statement of Financial Position (i.e. the 'direct to retained earnings' approach). The non-cash expense reflecting the notional cost of the benefits accruing to members of the defined benefit schemes in respect of the service provided over the reporting period is charged to the Statement of Financial Performance. All transitional adjustments and ongoing movements reported for each scheme will be actuarially determined in accordance with NZ IAS 19.

At 1 October 2004, the Banking Group and Parent will recognise a net asset position of $1 million (comprising surpluses in all schemes) after recognising a net deferred tax liability of $1 million which will be applied against retained earnings.

For the NZ IFRS comparative year ended 30 September 2005, a $4 million adjustment will be made to retained earnings to recognise an increase in the Banking Group's pension assets for the year, representing largely a net actuarial gain (Parent: $4 million). The impact on the Statement of Financial Performance of moving from a contributions basis to a service cost basis is not expected to be material.

(iii) Share-based payments
Initial increase in retained earnings; Immaterial impacts on future earnings

The Banking Group currently recognises immediately an expense equal to the full fair value of all deferred shares issued as part of the short term and long term incentive arrangements and for shares issued under the $1,000 employee share plan. The deferred shares vest over one to three years and may be forfeited under certain conditions. The shares issued under the $1,000 employee share plan vest over three years and may be forfeited under certain conditions. The Banking Group does not currently recognise an expense for options issued to staff.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

On adoption of NZ IFRS 2: 'Share-based Payment', the Banking Group will recognise an expense for all share-based remuneration, including deferred shares, shares issued under the $1,000 employee share plan and options, and will recognise this expense over the relevant vesting period.

The Banking Group has elected to retrospectively apply NZ IFRS 2 to share-based payments granted prior to 7 November 2002 and which remained unvested as at 1 October 2004.

For the Banking Group on 1 October 2004, this change in accounting policy will result in:
- the establishment of a share options liability of $2 million (Parent: $2 million) to reflect the fair value of options granted to employees;
- recognition of a net share compensation asset of $7 million (Parent: $7 million), in order to reflect the fair value of unvested shares;
- recognition of a deferred tax liability of $2 million (Parent: $2 million); and
- an increase to retained earnings of $3 million (Parent: $3 million).

For the NZ IFRS comparative year ended 30 September 2005, the impact of the change is expected to be:
- an increase in the share options liability of $2 million (Parent: $2 million);
- an increase in the net share compensation asset of $3 million (Parent: $3 million); and
- an immaterial decrease in profit after tax.

(iv) Taxation
Change in methodology; Initial reduction in retained earnings

Under NZ IAS 12: 'Income taxes', a balance sheet method of tax effect accounting will be adopted, replacing the 'Statement of Financial Performance' approach currently used by the Banking Group.

Income tax expense comprises current and deferred taxes, with income tax expense recognised in the Statement of Financial Performance, or recognised in equity to the extent that it relates to items recognised directly in equity.

Deferred tax is calculated using the balance sheet method by determining temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax base of those assets and liabilities as used for taxation purposes.

At 1 October 2004, and for the comparative NZ IFRS financial year ended 30 September 2005, this change in approach did not result in any material adjustments to shareholders' equity or deferred tax assets and liabilities for the Banking Group and Parent.

(v) Intangible assets – software
No impact on earnings; Reclassification only

Capitalised software assets will be reclassified from Premises and Equipment to a separately identifiable intangible asset on transition to NZ IFRS. For the Banking Group this will result in a reclassification of $31 million (Parent: $31 million) as at 1 October 2004. There will be no impact on the Statement of Financial Performance.

(vi) Business combinations
No impact

At 1 October 2004, the Banking Group has elected under NZ IFRS 1: 'First time Adoption of New Zealand Equivalents to International Financial Reporting Standards' to not restate the classification and accounting treatment of business combinations that occurred prior to 1 October 2004.

Issues with effective impact from 1 October 2005

(vii) Credit loss provisioning
Initial increase in retained earnings; Volatility in future earnings

NZ IAS 39: 'Financial Instruments: Recognition and Measurement' adopts an incurred loss approach for credit loss provisioning and provides guidance on the measurement of incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimated losses on these impaired exposures are then discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the written down amount, it is recognised in the Statement of Financial Performance as interest income.

The current General Provision in the Statement of Financial Position will be replaced on adoption of NZ IFRS by a Collective Provision.

Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not yet identified. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The Collective Provision under NZ IFRS shares the same underlying measurement objectives as the current General Provision. However, as a result of the application of a new estimation methodology, certain judgemental risk measures have changed.

The Banking Group believes that the resulting Collective Provision, while lower than the current General Provision, comfortably falls within the probable range of losses that have been incurred but not identified in our portfolio.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

On adoption of NZ IFRS, the current Economic Loss Provisioning (ELP) charge to profit will be replaced by a charge for individual provisions on impaired exposures together with a charge for movements in the Collective Provision.

As a result of these changes:
- at 1 October 2005, there will be an increase of $4 million to retained earnings for the Banking Group relating to individual provisions on impaired exposures as a result of discounting estimated future cash flows (Parent: $4 million);
- at 1 October 2005, the Banking Group Collective Provision will be $138 million less than the NZ GAAP General Provision (Parent: $181 million). After tax, this will result in an increase to retained earnings of $92 million at 1 October 2005 (Parent: $121 million). Due to current uncertainty around NZ IFRS accounting interpretations and the development of New Zealand industry practice in this area, this Collective Provision on impaired exposures may be subject to further refinement;
- individual provisions and movements in the Collective Provision will be charged direct to the Statement of Financial Performance driving increased earnings volatility for the Banking Group and Parent; and
- movements in the Collective Provision will be driven by changes in the Banking Group's portfolio size, portfolio mix and the outlook for credit risk and economic cycles.

(viii) Fee revenue –financial service fees recognised as an adjustment to yield
Initial reduction in retained earnings

Under NZ IAS 39 'Financial Instruments: Recognition and Measurement', fee income (such as loan approval fees) integral to the yield of an originated financial instrument (such as loans and advances measured at amortised cost), net of any direct incremental costs, must be capitalised and deferred over the expected life of the financial instrument.

On 1 October 2005, certain fees that have previously been recognised in the Statement of Financial Performance, will be deferred and recognised against net loans and advances in the Statement of Financial Position with a corresponding reduction to retained earnings. The impact will be $33 million and $31 million for the Banking Group and Parent respectively. The annual impact on net profit from this change is not expected to be material, however, there will be an increase in interest income offset by a reduction in fee income.

(ix) Derivative financial instruments, including hedging
Initial reduction in retained earnings; Volatility in future earnings; New assets and liabilities recognised

Under NZ IFRS, all derivative financial instruments, including those used as hedging instruments, will be measured at fair value and recognised in the Statement of Financial Position.

NZ IFRS permits hedge accounting (if certain criteria are met) for fair value hedges, cash flow hedges and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered where prospective and retrospective effectiveness tests are met and the hedge relationship has been adequately documented. Ineffectiveness precludes the use of hedge accounting. The Banking Group uses cash flow and fair value hedging in respect of its interest rate risk exposures.

At 1 October 2005, the Banking Group will recognise adjustments to the Statement of Financial Position as a result of utilising fair value hedge accounting. The resulting impacts are a decrease to net loans and advances of $110 million (Parent: $118 million), a net increase in derivative instrument assets of $117 million (Parent: $125 million) and an after-tax increase in retained earnings of $5 million (Parent: $5 million). The Banking Group will recognise a net increase in derivative instrument assets of $22 million (Parent: $22 million), a decrease to other creditors of $18 million (Parent: $18 million) and an after-tax adjustment to reserves of $40 million (Parent: $40 million) as a result of utilising cash flow hedging.

At 1 October 2005, the Banking Group will recognise adjustments to the Statement of Financial Position as a result of recognising derivative instruments, some financial assets and some financial liabilities at fair value through profit and loss. The resulting impacts are a net increase in derivative instrument liabilities of $12 million (Parent: $13 million), net reduction in other assets of $8 million (Parent: $7 million) and a reduction in retained earnings of $20 million (Parent: $20 million).

Overall, for the Banking Group the adjustments at 1 October 2005 result in an increase in net assets of $25 million (Parent: $25 million), represented by a decrease in retained earnings of $15 million (Parent: $15 million), and an increase in other equity reserves of $40 million (Parent: $40 million). Any volatility through the Statement of Financial Performance due to hedge ineffectiveness is not expected to be material.

In addition, the Banking Group has recognised an adjustment to reflect the market value of counterparty risk in the fair value of derivatives. This will result in a decrease in retained earnings of $2 million (Parent: $2 million) at 1 October 2005. Under NZ GAAP counterparty risk is notionally allowed for as part of the general provision.

(x) Financial instruments classification and measurement
Certain assets reclassified and measured at fair value; Initial decrease in retained earnings

Under NZ IFRS, certain financial assets of the Banking Group currently carried at amortised cost will be either:
- reclassified as available for sale resulting in measurement at fair value with movements being taken to an 'Available for Sale' equity reserve; or
- reclassified as financial assets held at fair value through the profit and loss, with movements in fair value being taken to the Statement of Financial Performance.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

On 1 October 2005, the reclassification of financial assets as either available for sale financial assets or financial assets designated at fair value, resulted in an immaterial increase in retained earnings for the Banking Group and Parent.

Under NZ IFRS, most financial liabilities will continue to be recognised at amortised cost and, as a result, there will be no material adjustment to the Statements of Financial Position and Performance.

Financial instruments will be measured, under NZ IFRS, at 'bid' or 'offer' prices rather than the current use of 'mid' prices. On 1 October 2005, this change in measurement will result in a decrease to retained earnings of $1 million (Parent: $1 million).

(xi) Accounting for ING New Zealand
Immaterial impacts expected

On 30 September 2005, the Bank announced the creation of a New Zealand funds management and life insurance joint venture with ING, extending the ANZ Group Australian joint venture. The adoption of NZ IFRS by ING New Zealand is still being quantified but is not expected to have a material impact on the Banking Group's financial statements.

Summary of financial impacts

A summary of the material after-tax financial impacts of conversion to NZ IFRS is set out in the following tables:

Table 1 represents the impact of the transition to NZ IFRS on equity as at 1 October 2004, for those standards with an effective date of 1 October 2004.

Table 2 sets out the additional impacts on equity as at 1 October 2005, including those standards with an effective date of 1 October 2005.

Table 3 sets out the expected adjustment to the operating surplus for the year ended 30 September 2005.

References are provided within the tables to the detailed narrative disclosure in the section above.

Table 1: Equity reconciliation as at 1 October 2004

		EQUITY	
	Reference	Consolidated $m	Parent $m
Equity under New Zealand GAAP as at 1 October 2004		**7,381**	**6,602**
NZ IFRS 1 October 2004 after tax adjustments to equity			
Retained earnings impacts:			
Initial recognition of defined benefit superannuation plans net surplus	**(ii)**	**1**	**1**
Net adjustment for share based payments	**(iii)**	**3**	**3**
NZ IFRS restated equity as at 1 October 2004		**7,385**	**6,606**

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Table 2: Equity reconciliation as at 1 October 2005

	Reference	EQUITY Consolidated $m	Parent $m
NZ IFRS restated equity as at 1 October 2004	**Table 1**	**7,385**	**6,606**
Other current New Zealand GAAP reserve movements for the year ended 30 September 2005[1]		**(360)**	**(360)**
NZ IFRS operating surplus for the year ended 30 September 2005	**Table 3**	**917**	**544**
NZ IFRS 1 October 2005 after tax adjustments to equity			
Retained earnings impacts:			
Actuarial movements within the defined benefit superannuation plans	**(ii)**	**4**	**4**
Adjustment to credit loss provision	**(vii)**	**96**	**125**
Deferral of financial service fees recognised as an adjustment to yield	**(viii)**	**(33)**	**(31)**
Adjustment to reflect counterparty risk in the fair value of derivatives	**(ix)**	**(2)**	**(2)**
Recognition of fair value of derivatives	**(ix)**	**(15)**	**(15)**
Adjustment to reflect fair value of financial instruments	**(x)**	**(1)**	**(1)**
Other reserves and share capital impacts:			
Hedge accounting adjustment to establish cash flow hedging reserve	**(ix)**	**40**	**40**
NZ IFRS restated equity as at 1 October 2005		**8,031**	**6,910**

[1] Represents dividends paid for the year ended 30 September 2005

Table 3: Restatement of NZ GAAP operating surplus for the year ended 30 September 2005 to a NZ IFRS comparative basis

	Reference	OPERATING SURPLUS Consolidated $m	Parent $m
New Zealand GAAP operating surplus for the year ended 30 September 2005		**735**	**373**
Writeback of goodwill amortisation	**(i)**	**182**	**171**
NZ IFRS operating surplus for the year ended 30 September 2005		**917**	**544**

4. INCOME

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Interest income				
Other financial institutions	**286**	214	**160**	73
Trading securities	**62**	97	**62**	48
Investment securities	**80**	48	**80**	34
Lending (other than impaired assets)	**5,482**	4,040	**5,127**	2,286
Lending on impaired assets (non-accrual)	**6**	2	**6**	1
Subsidiary companies	**-**	-	**30**	33
Related parties	**9**	5	**9**	5
Other	**60**	75	**58**	58
Total interest income	**5,985**	4,481	**5,532**	2,538
Other operating income				
Dividends received (Note 16)	**1**	-	**5,019**	30
Lending and credit facility fee income	**142**	141	**140**	99
Management services fee income	**42**	44	**42**	37
Net gains on foreign exchange trading	**122**	123	**122**	82
Net gains (losses) on trading securities	**5**	(4)	**5**	(11)
Other fee income	**410**	358	**385**	252
Net life insurance income	**23**	15	**-**	-
Equity accounted earnings of associates	**1**	2	**-**	-
Net gain on disposal of insurance and funds management activities	**16**	-	**39**	-
Other income	**38**	34	**24**	14
Total other operating income	**800**	713	**5,776**	503
Net operating lease income				
Gross operating lease income	**168**	144	**-**	-
Less direct income related expenses				
- Operating lease depreciation	**87**	81	**-**	-
- Other direct income related expenses	**30**	25	**-**	-
Total net operating lease income	**51**	38	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. EXPENSES

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Interest expense				
Other financial institutions	**71**	66	**62**	29
Deposits and other borrowings	**3,260**	2,343	**2,887**	1,224
Subsidiary companies	**-**	-	**755**	266
Bonds and notes	**271**	72	**142**	35
Related parties	**231**	180	**220**	180
Loan capital	**58**	50	**58**	31
Other	**178**	86	**130**	82
Total interest expense	**4,069**	2,797	**4,254**	1,847
Operating expenses				
Personnel costs	**689**	573	**650**	339
Building occupancy costs	**31**	38	**30**	19
Depreciation and amortisation of premises and equipment	**45**	40	**36**	22
Leasing and rental costs	**67**	65	**67**	46
Amortisation of goodwill	**182**	151	**171**	43
Integration costs	**111**	49	**111**	43
Related parties	**68**	64	**63**	56
Writedown of investment in subsidiary company (Note 16)	**-**	-	**4,928**	-
Other costs	**313**	285	**300**	194
Total operating expenses	**1,506**	1,265	**6,356**	762

Related party expenses and integration costs are predominantly recharges from Australia and New Zealand Banking Group Limited (Ultimate Parent Company).

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$'000	$'000	**$'000**	$'000
The following expenses are included in Other costs above:				
Directors' fees	**375**	428	**375**	234
Auditors' remuneration				
- In respect of auditing the accounts	**1,764**	2,177	**1,335**	893
- In respect of audit related services	**235**	116	**229**	106
- In respect of accounting and other services	**-**	120	**-**	20

Audit related services are services other than those relating to the audit and quarterly financial statement reviews of the statutory financial statements of the Banking Group.

6. TAX EXPENSE

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Tax on operating surplus for the year at 33%	**376**	342	**194**	120
Adjust for the tax effect of:				
- dividends received or receivable from subsidiary companies	**-**	-	**(1,656)**	(10)
- imputation credits received	**12**	12	**-**	-
- other permanent items	**46**	40	**1,670**	-
Tax expense on operating surplus	**434**	394	**208**	110
Imputation credits	**(35)**	(35)	**-**	-
Other	**5**	(2)	**7**	15
Tax expense	**404**	357	**215**	125
Tax expense is represented by:				
Current tax	**381**	411	**196**	155
Future tax benefit	**(9)**	(79)	**(11)**	(47)
Deferred tax liability	**32**	25	**30**	17
	404	357	**215**	125
Imputation Credit Account				
Balance at beginning of the year	**270**	135	**159**	99
Imputation credits acquired on amalgamation of subsidiary	**-**	-	**-**	48
Imputation credits attached to dividends received	**23**	19	**2**	-
Taxation paid	**368**	231	**295**	120
Taxation refunds	**-**	(147)	**-**	(4)
Imputation credits attached to dividends paid	**(177)**	(99)	**(177)**	(99)
Imputation credits reinstated	**8**	143	**8**	-
Prior year adjustment	**-**	(12)	**(1)**	(5)
Balance at end of the year	**492**	270	**286**	159

The above amounts only include items that give rise to imputation credits that are available for use by the Banking Group and/or the Bank.

Effective tax rate				
Tax expense on operating surplus	**404**	357	**215**	125
Effective tax rate	**35.5%**	34.4%	**36.6%**	34.2%

Tax paid

Current tax paid to the New Zealand Inland Revenue Department as a percentage of operating surplus before tax is 42% (30/09/2004 31%) for the Banking Group.

Current tax paid to all tax jurisdictions as a percentage of operating surplus before tax is 46% (30/09/2004 36%) for the Banking Group.

7. LIQUID ASSETS

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Cash and short term funds	**266**	437	**266**	420
Money at call	**1,438**	1,001	**1,438**	1,001
Bills receivable and remittances in transit	**153**	35	**153**	35
Total liquid assets	**1,857**	1,473	**1,857**	1,456
Included within liquid assets is the following balance:				
Securities purchased under agreements to resell	**-**	166	**-**	166

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. DUE FROM OTHER FINANCIAL INSTITUTIONS

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**92**	56	**92**	56
Due from other financial institutions	**5,380**	2,874	**3,964**	1,795
Total due from other financial institutions	**5,472**	2,930	**4,056**	1,851
Included within due from other financial institutions are the following balances:				
Able to be withdrawn without prior notice	**666**	1,110	**656**	1,104
Term lending to financial institutions	**3,876**	1,335	**2,470**	262
Securities purchased under agreements to resell	**930**	485	**930**	485

As at 30 September 2005, assets of $643 million were encumbered through repurchase agreements (30/09/2004 $177 million).

9. TRADING SECURITIES

Government, Local Body stock and bonds	**332**	417	**332**	417
Certificates of deposit	**316**	89	**316**	89
Promissory notes	**246**	121	**246**	121
Other	**18**	53	**18**	53
Total trading securities	**912**	680	**912**	680

As at 30 September 2005, assets of $332 million were encumbered through repurchase agreements (30/09/2004 $417 million).

10. INVESTMENT SECURITIES

Government, Local Body stock and bonds	**1,250**	978	**1,250**	978
Floating rate notes	**20**	322	**20**	20
Other	**-**	33	**-**	32
Total investment securities	**1,270**	1,333	**1,270**	1,030
Included within investment securities is the following balance:				
Investments used to secure deposit obligations	**222**	220	**222**	220

11. NET LOANS AND ADVANCES

Overdrafts	**1,811**	1,731	**1,811**	1,730
Credit card outstandings	**1,128**	1,104	**1,128**	1,104
Term loans – housing	**38,338**	33,724	**38,306**	33,684
Term loans – non-housing	**28,697**	24,324	**25,471**	20,900
Hire purchase	**381**	553	**-**	-
Gross loans and advances	**70,355**	61,436	**66,716**	57,418
Provisions for doubtful debts (Note 13)	**(666)**	(633)	**(646)**	(611)
Unearned income	**(550)**	(412)	**(282)**	(95)
Total net loans and advances	**69,139**	60,391	**65,788**	56,712
Included within net loans and advances is the following related party balance:				
ANZ Holdings (New Zealand) Limited (Parent Company)	**126**	118	**126**	118

The balance owing by the Parent Company is due within the next twelve months. Interest is received at variable bank rates.

12. IMPAIRED ASSETS, PAST DUE ASSETS AND OTHER ASSETS UNDER ADMINISTRATION

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
On-balance sheet impaired assets, past due assets and other assets under administration				
Non-accrual loans				
Balance at beginning of the year	**123**	25	**93**	18
Non-accrual loans acquired with subsidiaries	**-**	140	**-**	-
Non-accrual loans acquired on amalgamation of subsidiary	**-**	-	**-**	71
Transfers from productive	**306**	195	**259**	81
Transfers to productive	**(21)**	(9)	**(11)**	(7)
Assets realised or loans repaid	**(85)**	(159)	**(61)**	(28)
Write offs	**(110)**	(69)	**(94)**	(42)
Balance at end of the year	**213**	123	**186**	93
Restructured items				
Balance at beginning of the year	**-**	-	**-**	-
Transfers to restructured items	**18**	-	**18**	-
Transfers from restructured items	**(18)**	-	**(18)**	-
Balance at end of the year	**-**	-	**-**	-
Past due assets (90 day past due assets)				
Balance at beginning of the year	**83**	21	**75**	18
Past due assets acquired with subsidiaries	**-**	45	**-**	-
Past due assets acquired on amalgamation of subsidiary	**-**	-	**-**	98
Transfers to past due assets	**309**	267	**279**	121
Transfers from past due assets	**(320)**	(250)	**(291)**	(162)
Balance at end of the year	**72**	83	**63**	75
Other assets under administration				
Balance at beginning of the year	**-**	-	**-**	-
Transfers to other assets under administration	**3**	-	**3**	-
Transfers from other assets under administration	**(3)**	-	**(3)**	-
Balance at end of the year	**-**	-	**-**	-
Off-balance sheet impaired assets				
Unproductive facilities				
Balance at beginning of the year	**-**	-	**-**	-
Transfers to unproductive facilities	**7**	-	**7**	-
Balance at end of the year	**7**	-	**7**	-
Total impaired assets, past due assets and other assets under administration	**292**	206	**256**	168
Interest forgone on impaired assets				
Gross interest receivable on impaired assets	**10**	9	**8**	3
Interest received	**(6)**	(2)	**(6)**	(1)
Net interest forgone on impaired assets	**4**	7	**2**	2

Interest forgone is the amount of interest income that would have been recorded had interest been accrued. It has been estimated using average rates for a range of facilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROVISIONS FOR DOUBTFUL DEBTS

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
General provision				
Balance at beginning of the year	**560**	228	**550**	217
Fair value adjustment on acquisition of subsidiaries	**-**	247	**-**	-
General provision acquired on amalgamation of subsidiary	**-**	-	**-**	295
Charge to operating surplus	**122**	133	**110**	67
Transfer to specific provision	**(135)**	(65)	**(114)**	(39)
Recoveries	**21**	17	**19**	10
Balance at end of the year	**568**	560	**565**	550
Specific provision (non-accrual loans)				
Balance at beginning of the year	**73**	10	**61**	8
Specific provision acquired with subsidiaries	**-**	83	**-**	-
Fair value adjustment on acquisition of subsidiaries	**-**	(16)	**-**	-
Specific provision acquired on amalgamation of subsidiary	**-**	-	**-**	56
Bad debts written off	**(110)**	(69)	**(94)**	(42)
Transfer from general provision	**135**	65	**114**	39
Balance at end of the year	**98**	73	**81**	61
Total provisions for doubtful debts	**666**	633	**646**	611

Total provisions for doubtful debts have been deducted from gross loans and advances.

14. INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES

Investment in subsidiary companies				
Unquoted at cost (Note 16)	**-**	-	**7,329**	12,273
Investment in associate companies				
Unquoted at cost plus equity accounted adjustments	**158**	21	**167**	2
Total investment in subsidiary and associate companies	**158**	21	**7,496**	12,275
Movement in investment in associate companies				
Balance at beginning of the year	**21**	11	**2**	-
Fair value adjustment on acquisition of subsidiaries	**-**	2	**-**	-
Associate companies acquired on amalgamation of subsidiary	**-**	-	**-**	2
Additions	**147**	7	**166**	-
Disposals	**(5)**	(1)	**-**	-
Writedown of investment in associate companies	**(6)**	-	**(1)**	-
Equity accounted earnings of associates	**1**	2	**-**	-
Balance at end of the year	**158**	21	**167**	2

The balance of investment in associate companies at 30 September 2005 includes $90 million goodwill in relation to ING (NZ) Holdings Limited.

15. ACQUISITION OF SUBSIDIARIES

NBNZ Holdings Limited

On 1 December 2003, the Bank acquired all of the shares of NBNZ Holdings Limited ('NBNZ Group'). The results and financial position of NBNZ Group have been included in the Banking Group since 1 December 2003. The contribution of NBNZ Group to the consolidated operating surplus for the period from 1 December 2003 to 30 September 2004, after accounting policy changes, was $409 million. Included in net identifiable assets acquired is a restructuring provision of $22 million that was recognised on acquisition in accordance with New Zealand accounting standards.

Summary of net identifiable assets acquired	Consolidated 1/12/03 $m
Assets	
Liquid assets	654
Due from other financial institutions	3,589
Trading securities	1,559
Investment securities	291
Net loans and advances	34,276
Investment in associate companies	2
Income tax assets	300
Other assets	1,795
Premises and equipment	178
Total assets	42,644
Liabilities	
Due to other financial institutions	1,853
Deposits and other borrowings	33,942
Income tax liabilities	30
Creditors and other liabilities	2,900
Provisions	88
Bonds and notes	1,262
Due to related party	44
Loan capital	550
Total liabilities	40,669
Net identifiable assets acquired at fair value	1,975
Consideration paid	5,464
Goodwill arising on acquisition of subsidiaries	3,489

On 30 September 2005, $113 million of the goodwill acquired on the acquisition of NBNZ Holdings was disposed of in the sale of NBNZ Life Insurance Limited.

EFTPOS New Zealand Limited

On 31 January 2004, the Bank acquired all of the shares of EFTPOS New Zealand Limited ('EFTPOS Group') for $37.5 million. The fair value of net identifiable assets acquired was $2.5 million, giving rise to goodwill on acquisition of $35.0 million. The results and financial position of EFTPOS Group have been included in the Banking Group since 1 February 2004. The contribution of EFTPOS Group to the consolidated operating surplus for the period from 1 February 2004 to 30 September 2004 was $4.0 million.

16. AMALGAMATION OF SUBSIDIARY

The National Bank of New Zealand Limited
On 26 June 2004, the Bank acquired all of the shares of The National Bank of New Zealand Limited ('NBNZ'), from its subsidiary, NBNZ Holdings Limited, for $5,400 million. Immediately, following the acquisition, NBNZ was amalgamated into the Bank and, on 28 June 2004, the Bank was renamed ANZ National Bank Limited. Accordingly, the Bank's financial statements for the year to 30 September 2004 include the contribution of NBNZ to operating surplus for the period 26 June 2004 to 30 September 2004 of $64 million and its assets and liabilities as at 30 September 2004.

On 1 October 2004, a dividend was paid from NBNZ Holdings Limited to the Bank of $4,928 million. Following this, the Bank's investment in NBNZ Holdings Limited was reduced by the same amount, with no overall profit impact.

The acquisition and subsequent amalgamation had no effect on the results and financial position of the Banking Group.

The financial position of The National Bank of New Zealand Limited prior to amalgamation on 26 June 2004 is summarised as follows:

	26/06/2004 $m
Assets	
Liquid assets	597
Due from other financial institutions	666
Trading securities	1,174
Investment securities	282
Net loans and advances	34,758
Due from related parties	1,088
Investment in subsidiary and associate companies	4,206
Income tax assets	214
Other assets	1,312
Premises and equipment	62
Total assets	44,359
Liabilities	
Due to other financial institutions	997
Deposits and other borrowings	25,622
Due to related parties	13,200
Income tax liabilities	58
Creditors and other liabilities	1,614
Provisions	84
Bonds and notes	211
Loan capital	550
Total liabilities	42,336
Net identifiable assets acquired on amalgamation	2,023
Consideration paid	5,400
Goodwill arising on amalgamation of subsidiary	3,377

On 30 September 2005, $117 million of the goodwill acquired on the acquisition and subsequent amalgamation of The National Bank of New Zealand Limited was disposed of in the sale of NBNZ Life Insurance Limited.

17. INVESTMENT IN ING NEW ZEALAND JOINT VENTURE AND DISPOSAL OF LIFE INSURANCE AND FUNDS MANAGEMENT BUSINESSES

On 30 September 2005, the Bank sold its subsidiaries, NBNZ Life Insurance Limited and NBNZ Investment Services Limited, to the joint venture established with ING Insurance International B.V. ('INGII') for $158 million. The sale transaction included the unit trusts and investment funds managed by NBNZ Investment Services Limited and the National Bank branded general insurance and credit card insurance businesses.

The sale resulted in the following impact on the consolidated financial statements:

- a reduction in goodwill of $113 million.
- a net gain on sale of $16 million was recognised on the sale of 51% of the Life Insurance and Funds Management businesses.
- an investment in ING NZ of $145 million, being initial investment of $164 million adjusted for an unrecognised gain on the Banking Group's share of the gain on sale of the Life Insurance and Funds Management businesses.

The sale resulted in the following impact on the parent financial statements:

- a reduction in goodwill of $117 million.
- a gain on sale of $39 million was recognised on the sale of 100% of the Life Insurance and Funds Management businesses.

On 30 September 2005, the Bank invested $164 million in ING (NZ) Holdings Limited ('ING NZ'), a joint venture operation with INGII. The Bank has a 49% ownership interest in ING NZ, with INGII having a 51% ownership interest. The Banking Group accounts for the joint venture operation as an associate company.

Summary of net identifiable assets disposed	**Consolidated 30/09/2005 $m**
Assets	
Life insurance business investments	**42**
Due from related party	**6**
Other assets	**2**
Total assets	**50**
Liabilities	
Life insurance policy liabilities	**39**
Income tax liabilities	**1**
Creditors and other liabilities	**5**
Total liabilities	**45**
Net assets disposed of	**5**

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. INCOME TAX ASSETS

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Future tax benefits				
Balance at beginning of the year	**406**	142	**384**	123
Future tax benefits acquired with subsidiaries	**-**	86	**-**	-
Fair value adjustment on acquisition of subsidiaries	**-**	99	**-**	-
Future tax benefits acquired on amalgamation of subsidiary	**-**	-	**-**	214
Deferred portion of current year tax charge	**19**	67	**22**	29
(Over) under provision in prior years	**(10)**	12	**(11)**	18
Balance at end of the year	**415**	406	**395**	384
Current tax asset	**66**	-	**166**	-
Total income tax assets	**481**	406	**561**	384

19. GOODWILL

Goodwill comprises:				
Balance at beginning of the year	**3,381**	3	**3,335**	-
Goodwill arising on acquisition of subsidiaries	**-**	3,529	**-**	-
Goodwill arising on amalgamation of subsidiary	**-**	-	**4**	3,378
Reversal of goodwill on disposal of subsidiaries	**(113)**	-	**(117)**	-
Reversal of goodwill recognised on acquisition	**(5)**	-	**(5)**	-
Amortisation of goodwill	**(182)**	(151)	**(171)**	(43)
Balance at end of the year	**3,081**	3,381	**3,046**	3,335
Goodwill at cost	**3,414**	3,544	**3,252**	3,378
Accumulated amortisation	**(333)**	(163)	**(206)**	(43)
Total goodwill	**3,081**	3,381	**3,046**	3,335

20. OTHER ASSETS

Accrued interest and commission	**277**	360	**237**	325
Foreign exchange derivative revaluations	**714**	1,066	**690**	1,066
Interest rate derivative revaluations	**556**	583	**556**	583
Security settlements	**448**	606	**448**	606
Life insurance business investments	**-**	69	**-**	-
Other assets	**202**	243	**152**	248
Total other assets	**2,197**	2,927	**2,083**	2,828

21. PREMISES AND EQUIPMENT

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Freehold land – at deemed cost	**15**	15	**1**	1
Freehold buildings – at deemed cost	**53**	47	**2**	1
Accumulated depreciation	**(10)**	(5)	**-**	-
	43	42	**2**	1
Leasehold improvements	**96**	95	**75**	68
Accumulated depreciation	**(68)**	(73)	**(54)**	(52)
	28	22	**21**	16
Operating lease assets	**709**	624	**-**	-
Accumulated depreciation	**(225)**	(212)	**-**	-
	484	412	**-**	-
Building integrals, furniture, computer and office equipment, software, and motor vehicles	**525**	557	**350**	382
Accumulated depreciation	**(387)**	(391)	**(259)**	(267)
	138	166	**91**	115
Work in progress	**26**	13	**15**	6
Total premises and equipment	**734**	670	**130**	139

Land and buildings
Independent valuations of the Banking Group's freehold land and buildings greater than $1 million were carried out as at 30 November 2003 by CB Richard Ellis and resulted in a valuation of $59 million. Other properties were independently valued by Darrochs in December 2001 at $24 million, and TelferYoung in December 2002 at $1 million.

The valuations were based on the estimated sales price (net of disposal costs) calculated on the assumption that the buildings continued to be used in their existing manner.

Valuations are undertaken systematically to ensure that the carrying amount of land and buildings and related capitalised items is not materially different from its fair value.

22. DUE TO OTHER FINANCIAL INSTITUTIONS

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**1,134**	6	**-**	6
Other financial institutions	**3,070**	1,366	**2,151**	1,000
Total due to other financial institutions	**4,204**	1,372	**2,151**	1,006

Balances owing by ANZ National (Int'l) Limited to the Ultimate Parent Company are due within twelve months. Interest is paid at normal commercial bank rates. This balance is guaranteed by the Bank.

23. DEPOSITS AND OTHER BORROWINGS

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
Certificates of deposit	**4,652**	3,689	**4,652**	3,689
Term deposits	**22,957**	22,096	**22,957**	22,096
Demand deposits	**20,350**	18,256	**20,350**	18,254
Commercial paper	**9,255**	7,495	**-**	-
Secured debenture stock	**2,132**	2,176	**-**	-
Secured deposits	**200**	200	**-**	-
Total deposits and other borrowings	**59,546**	53,912	**47,959**	44,039

UDC Finance Limited secured debentures
Registered secured debenture stock is constituted and secured by trust deeds between certain companies within the UDC Group and independent trustees. The trust deeds create floating charges over all the assets, primarily loans and advances and fixed assets, of those companies.

Commercial paper
Commercial paper issued by ANZ National (Int'l) Limited is guaranteed by the Bank.

24. INCOME TAX LIABILITIES

Deferred tax liability				
Balance at beginning of the year	**112**	56	**84**	34
Deferred tax liability acquired with subsidiaries	**-**	12	**-**	-
Fair value adjustment on acquisition of subsidiaries	**-**	19	**-**	-
Deferred tax liability acquired on amalgamation of subsidiary	**-**	-	**-**	33
Deferred portion of current year tax charge	**32**	12	**30**	6
Under provision in prior years	**-**	13	**-**	11
Balance at end of the year	**144**	112	**114**	84
Current tax liability	**-**	115	**-**	37
Total income tax liabilities	**144**	227	**114**	121

25. CREDITORS AND OTHER LIABILITIES

Accrued interest	**472**	325	**390**	268
Accrued charges	**166**	188	**152**	168
Foreign exchange derivative revaluations	**1,027**	1,905	**1,003**	1,905
Interest rate derivative revaluations	**633**	590	**633**	568
Security settlements	**618**	549	**618**	549
Creditors	**110**	86	**93**	70
Life insurance policy liabilities	**-**	32	**-**	-
Equitable assignment of mortgages	**59**	82	**59**	82
Other liabilities	**160**	542	**98**	505
Total creditors and other liabilities	**3,245**	4,299	**3,046**	4,115

26. PROVISIONS

	Consolidated 30/09/2005 $m	Consolidated 30/09/2004 $m	Parent 30/09/2005 $m	Parent 30/09/2004 $m
Provision for non-lending losses	**3**	3	**3**	3
Provision for employee entitlements (Note 1)				
Balance at beginning of the year	**90**	37	**89**	36
Provision acquired with subsidiaries	**-**	18	**-**	-
Fair value adjustment on acquisition of subsidiaries	**-**	34	**-**	-
Provision acquired on amalgamation of subsidiary	**-**	-	**-**	52
New provisions	**37**	44	**35**	21
Provisions utilised	**(19)**	(43)	**(18)**	(20)
Transfer from provision for personnel restructuring costs	**1**	-	**1**	-
Balance at end of the year	**109**	90	**107**	89
Provision for personnel restructuring costs (Note 2)				
Balance at beginning of the year	**11**	6	**11**	5
Fair value adjustment on acquisition of subsidiaries	**(2)**	11	**(2)**	-
Provision acquired on amalgamation of subsidiary	**-**	-	**-**	10
New provisions	**3**	-	**3**	-
Provisions utilised	**(4)**	(6)	**(4)**	(4)
Unused amounts reversed	**(1)**	-	**(1)**	-
Transfer to provision for employee entitlements	**(1)**	-	**(1)**	-
Balance at end of the year	**6**	11	**6**	11
Provision for redundant assets restructuring costs (Note 2)				
Balance at beginning of the year	**29**	21	**22**	16
Provision acquired with subsidiaries	**-**	8	**-**	-
Fair value adjustment on acquisition of subsidiaries	**(3)**	16	**(3)**	-
Provision acquired on amalgamation of subsidiary	**-**	-	**-**	19
New provisions	**2**	1	**2**	1
Provisions utilised	**(8)**	(17)	**(5)**	(14)
Unused amounts reversed	**(4)**	-	**(3)**	-
Balance at end of the year	**16**	29	**13**	22
Other provisions	**8**	7	**8**	7
Total provisions	**142**	140	**137**	132

Note 1: Provision for employee entitlements
The provision for employee entitlements provides mainly for the cost of employee entitlements to annual and long service leave. On average, employees utilise their leave in the year the entitlement accrues.

Note 2: Provision for personnel restructuring costs and redundant assets restructuring costs
Restructuring costs provisions arise from exit activities relating to material changes in the scope or manner of business undertaken by the Banking Group and includes termination benefits. Provision is made when the Banking Group is demonstrably committed, it is probable that the costs will be incurred, though its timing is uncertain, and the costs can be reliably estimated. The provisions recognised at 30 September 2005 are expected to be settled over the 2006 financial year, with the exception that provisions for losses arising from rental commitments on leased premises which have become vacant as a result of restructuring are settled over the remaining term of the leases.

27. BONDS AND NOTES

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
	$m	$m	**$m**	$m
USD 300,000,000 medium term bonds	**433**	447	**433**	447
HKD 2,270,000,000 medium term notes	**422**	199	**-**	-
USD 27,020,000 medium term notes	**39**	41	**-**	-
NZD 480,000,000 floating rate notes	**480**	480	**-**	-
EUR 850,000,000 floating rate notes	**1,478**	1,381	**-**	-
NZD 150,000,000 floating rate notes	**150**	-	**-**	-
NZD 100,000,000 fixed rate notes	**100**	-	**-**	-
GBP 100,000,000 floating rate notes	**254**	-	**-**	-
USD 1,550,000,000 floating rate notes	**2,236**	-	**-**	-
USD 260,000,000 fixed rate notes	**375**	-	**-**	-
Other bonds and notes	**172**	199	**171**	196
Total bonds and notes	**6,139**	2,747	**604**	643

The terms and conditions of the bonds and notes are as follows:

USD 300,000,000 bonds
These bonds were issued by the Bank on 12 June 2003 and are to be redeemed at their principal amount on 12 June 2006. Interest is payable quarterly in arrears based on LIBOR + 0.05% p.a., with interest payments due 12 March, 12 June, 12 September and 12 December.

HKD 2,270,000,000 notes
These notes were issued by ANZ National (Int'l) Limited and are a mixture of fixed and variable rate lending (based on HIBOR), and have a variety of maturity dates. The weighted average interest rate is 4.02% (30/09/2004 2.58%) and the final maturity date is 26 May 2010. Interest is payable either quarterly, semi-annually or annually in arrears. Notes with face value of HKD 80,000,000 and HKD 230,000,000 were redeemed at their principal amount on 7 February 2005 and 11 February 2005 respectively. New issues with face value of HKD 1,000,000,000, HKD 150,000,000, HKD 190,000,000 and HKD 200,000,000 were issued on 20 April, 28 April, 28 April and 26 May 2005 respectively.

USD 27,020,000 notes
These notes were issued by ANZ National (Int'l) Limited on 20 May 2003 and are to be redeemed at their principal amount on 20 May 2008. Interest is payable annually in arrears with the interest rate payable being stepped as follows: Year 1 3.00%, Year 2 3.25%, Year 3 3.50%, Year 4 4.25% and Year 5 5.00%. The issuer may elect to redeem the notes annually from May 2004.

NZD 480,000,000 notes
These notes were issued by NBNZ Holdings Limited on 11 September 1998 and have an ultimate maturity date of 31 August 2008. The notes can be redeemed at any time by giving not less than 30 days notice to the lender. Interest is payable quarterly in arrears at BKBM, with interest payments due on the last business day of February, May, August and November.

EUR 850,000,000 notes
EUR 750,000,000 notes were issued by ANZ National (Int'l) Limited on 21 September 2004 and have an ultimate maturity date of 21 September 2009. Interest on the notes is payable quarterly in arrears based on EURIBOR + 0.12% p.a., with interest payments due 21 March, 21 June, 21 September and 21 December.

EUR 100,000,000 notes were issued by ANZ National (Int'l) Limited on 27 June 2005 and have an ultimate maturity date of 27 June 2008. Interest on the notes is payable quarterly in arrears based on EURIBOR + 0.02% p.a., with interest payments due 27 March, 27 June, 27 September and 27 December.

NZD 150,000,000 notes
These notes were issued by ANZ National (Int'l) Limited on 27 October 2004 and have an ultimate maturity date of 27 October 2009. Interest on the notes is payable quarterly in arrears based on BKBM + 0.10% p.a., with interest payments due 27 January, 27 April, 27 July and 27 October.

NZD 100,000,000 notes
These notes were issued by ANZ National (Int'l) Limited on 25 January 2005 and have an ultimate maturity date of 25 January 2008. Interest on the notes is payable annually in arrears and is fixed at 6.50% p.a., with interest payment due 25 January.

GBP 100,000,000 notes
These notes were issued by ANZ National (Int'l) Limited on 12 April 2005 and have an ultimate maturity date of 7 March 2007. Interest on the notes is payable quarterly in arrears and is based on GBP LIBOR - 0.03% p.a., with interest payments due 7 March, 7 June, 7 September and 7 December.

USD 1,550,000,000 notes
USD 750,000,000 notes were issued by ANZ National (Int'l) Limited on 14 April 2005 and have an ultimate maturity date of 14 April 2008. Interest on the notes is payable quarterly in arrears and is based on USD LIBOR + 0.07% p.a., with interest payments due 14 January, 14 April, 14 July and 14 October.

USD 750,000,000 notes were issued by ANZ National (Int'l) Limited on 14 April 2005 and have an ultimate maturity date of 14 April 2010. Interest on the notes is payable quarterly in arrears and is based on USD LIBOR + 0.11% p.a., with interest payments due 14 January, 14 April, 14 July and 14 October.

USD 50,000,000 notes were issued by ANZ National (Int'l) Limited on 21 June 2005 and have an ultimate maturity date of 21 June 2006. Interest on the notes is payable quarterly in arrears and is based on USD LIBOR - 0.11% p.a., with interest payments due 21 March, 21 June, 21 September and 21 December.

USD 260,000,000 notes
USD 250,000,000 notes were issued by ANZ National (Int'l) Limited on 16 May 2005 and have an ultimate maturity date of 16 May 2008. Interest on the notes is payable half yearly in arrears and is fixed at 4.265% p.a., with interest payments due 16 May and 16 November.

USD 10,000,000 notes were issued by ANZ National (Int'l) Limited on 22 September 2005 and have an ultimate maturity date of 22 September 2006. Interest on the notes is payable annually in arrears and is fixed at 4.045% p.a., with interest payment due on 22 September 2006.

Other bonds and notes
Other bonds and notes includes index linked notes, equity linked notes and other fixed rate and fixed term bonds.

Bonds and notes issued by ANZ National (Int'l) Limited are guaranteed by the Bank.

28. RELATED PARTY FUNDING

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
ANZ Holdings (New Zealand) Limited (Parent Company)	**2,650**	2,777	**2,650**	2,777

The following amounts have been provided by the Parent Company:

Date advanced	*Underlying currency*
September 2003	AUD 1,000,000,000
November 2003	USD 1,100,000,000

These funds have been borrowed in New Zealand dollars on an overnight basis and are at call. Interest is payable monthly, based on New Zealand overnight deposit rates. The New Zealand dollar equivalents of the AUD and USD funds have been hedged by the Parent Company until 15 September 2006 and 15 December 2005 respectively.

29. LOAN CAPITAL

	Consolidated 30/09/2005 $m	Consolidated 30/09/2004 $m	Parent 30/09/2005 $m	Parent 30/09/2004 $m
AUD 207,450,000 term subordinated floating rate loan	**228**	222	**228**	222
AUD 265,740,000 perpetual subordinated floating rate loan	**292**	285	**292**	285
AUD 186,100,000 term subordinated floating rate loan	**205**	-	**205**	-
NZD term subordinated fixed rate bonds	**750**	850	**750**	850
Total loan capital	**1,475**	1,357	**1,475**	1,357
Included within loan capital is the following related party balance:				
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**725**	507	**725**	507

AUD 207,450,000 loan
This loan was drawn down on 31 August 2004 and has an ultimate maturity date of 31 August 2014. The Bank may elect to repay the loan on 31 August each year commencing from 2009 through to 2014. All interest is payable half yearly in arrears, with interest payments due 28 February and 31 August. Interest is based on BBSW + 0.40% p.a. to 31 August 2009 and increases to BBSW + 0.90% p.a. thereafter.

AUD 265,740,000 loan
This loan was drawn down on 27 September 1996 and has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

AUD 186,100,000 loan
This loan was drawn down on 19 April 2005 with an ultimate maturity date of 20 April 2015. The Bank may elect to repay the loan on 19 April each year commencing from 2010 through to 2015. All interest is payable half yearly in arrears, with interest payments due 19 April and 19 October. Interest is based on BBSW + 0.32% p.a. to 19 April 2010 and increases to BBSW + 0.82% p.a. thereafter.

NZD term subordinated fixed rate bonds
The terms and conditions of these fixed rate and fixed term bonds are as follows:

New Zealand Exchange listed bonds

Issue date	*Amount $m*	*Coupon rate*	*Call date*	*Maturity date*
23 July 2002	300	7.04%	23 July 2007	23 July 2012

The Bank may elect to redeem the bonds on their call date. If the bonds are not called they will continue to pay interest to maturity at the five year interest rate swap rate plus 0.80% p.a. Interest is payable half yearly in arrears based on the fixed coupon rate.

As at 30 September 2005 these bonds carried an A+ rating by Standard & Poor's.

The bonds are listed on the NZX. On 10 October 2002 the Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.4 and 10.5. Rule 10.4 relates to the provision of preliminary announcements of half yearly and annual results to the NZX. Rule 10.5 relates to preparing and providing a copy of half yearly and annual reports to the NZX. The Bank has been granted a waiver from these rules on the conditions that the Bank's quarterly General Disclosure Statement ('GDS') is available on the Bank's website, at any branch and at the NZX; that bondholders are advised by letter that copies of the GDS are available at the above locations; that all bondholders are notified on an ongoing basis, by way of a sentence included on the notification of interest payments, that the latest GDS is available for review at the above locations; and that a copy of the GDS is sent to the NZX on an ongoing basis.

29. LOAN CAPITAL (continued)

Non listed bonds

Issue date	*Amount $m*	*Coupon rate*	*Call date*	*Maturity date*
15 March 2001	100	6.87%	18 April 2006	18 April 2011
15 March 2002	125	7.61%	16 April 2007	16 April 2012
15 July 2002	125	7.40%	17 September 2007	17 September 2012
20 February 2003	100	6.46%	20 August 2008	20 August 2013
	450			

The Bank may elect to redeem the bonds on their call date. If the bonds are not called they will continue to pay interest to maturity at the five year interest rate swap rate plus 1.00% p.a., apart from the 20 August 2013 bonds, which will continue to pay interest to maturity at the five year interest rate swap rate plus 0.97% p.a. Interest is payable half yearly in arrears based on the fixed coupon rate. On 15 April 2005, the Bank redeemed NZD $100 million of term subordinated fixed rate debt.

As at 30 September 2005 these bonds carried an A+ rating by Standard & Poor's.

Loan capital is subordinated in right of payment to the claims of depositors and all creditors of the Bank.

30. PAID IN SHARE CAPITAL

	Consolidated		**Parent**	
	30/09/2005 Number of Shares	30/09/2004 Number of Shares	**30/09/2005 Number of Shares**	30/09/2004 Number of Shares
Issued share capital				
Ordinary shares at beginning of the year	**700,755,498**	306,724,750	**700,755,498**	306,724,750
Issue of ordinary shares	**-**	394,030,748	**-**	394,030,748
Ordinary shares at end of the year	**700,755,498**	700,755,498	**700,755,498**	700,755,498

At beginning and end of the year 650,712 ordinary shares were uncalled (30/09/2004 650,712 shares).

	Consolidated		**Parent**	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Paid in share capital				
Paid in share capital at beginning of the year	**5,943**	406	**5,943**	406
Issue of ordinary shares	**-**	5,537	**-**	5,537
Paid in share capital at end of the year	**5,943**	5,943	**5,943**	5,943

Voting rights
At a meeting: on a show of hands or vote by voice every member who is present in person or by proxy or by representative shall have one vote.

On a poll: every member who is present in person or by proxy or by representative shall have one vote for every share of which such member is the holder.

31. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

Interest earning and discount bearing assets	**78,562**	66,838	**74,724**	61,992
Interest and discount bearing liabilities	**70,061**	59,058	**74,760**	66,489

32. SEGMENTAL ANALYSIS

The Banking Group operates predominantly within New Zealand. Total income comprises total interest income, total other operating income and gross operating lease income (refer Note 4).

Consolidated	External Income $m	Intersegment Income $m	Total Income $m	Operating Surplus Before Tax $m	Total Assets $m
30/09/2005					
Banking	**6,586**	**49**	**6,635**	**1,113**	**82,994**
Finance	**367**	**11**	**378**	**66**	**2,461**
Eliminations	**-**	**(60)**	**(60)**	**(40)**	**(154)**
	6,953	**-**	**6,953**	**1,139**	**85,301**
30/09/2004					
Banking	4,985	38	5,023	1,001	71,712
Finance	353	5	358	66	2,529
Eliminations	-	(43)	(43)	(30)	(29)
	5,338	-	5,338	1,037	74,212

33. COMMITMENTS

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Capital expenditure				
Contracts for outstanding capital expenditure:				
Premises and equipment				
Not later than one year	**56**	37	**10**	11
Total capital expenditure commitments	**56**	37	**10**	11
Lease rentals				
Future minimum lease payments under non-cancellable operating leases:				
Premises and equipment				
Due within one year	**80**	71	**49**	46
Due between one and two years	**113**	74	**39**	36
Due between two and five years	**52**	84	**61**	68
Due beyond five years	**27**	39	**18**	31
Total lease rental commitments	**272**	268	**167**	181
Total commitments	**328**	305	**177**	192

34. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the course of providing financial services to its customers, managing its exposure to fluctuations in interest rates and foreign exchange rates and trading in various financial markets for profit, the Banking Group uses various off-balance sheet financial instruments.

The gross value of the instruments reflects the level of the Banking Group's activity in the various products and not the much smaller net risk exposure. As it is not envisaged that any irrecoverable liability will arise from the settlement of these types of transactions they are not recorded as on-balance sheet financial instruments.

The fair value of foreign exchange and interest rate contracts that are entered into for trading purposes are already reflected in the financial statements. As at 30 September 2005, the estimated fair value adjustment for balance sheet hedging contracts not recognised in the financial statements is a $133 million fair value gain (30/09/2004 $114 million fair value gain) for the Banking Group and a $145 million fair value gain (30/09/2004 $133 million fair value gain) for the Bank.

The credit equivalent amounts have been determined in accordance with the Reserve Bank of New Zealand's capital adequacy guidelines.

The estimated face or contract values and credit equivalent amounts for off-balance sheet financial instruments are as follows:

	30/09/2005		30/09/2004	
Consolidated	**Face or Contract Value $m**	**Credit Equivalent Amount $m**	Face or Contract Value $m	Credit Equivalent Amount $m
Foreign exchange, interest rate and equity contracts				
Exchange rate contracts				
Forwards	**22,240**	**553**	27,015	676
Swaps	**32,969**	**1,477**	18,301	951
Options	**4,182**	**52**	10,516	156
Interest rate contracts				
Forwards	**10,096**	**5**	11,110	4
Swaps	**122,074**	**1,081**	93,907	900
Futures	**10,965**	**-**	16,642	-
Options	**7,357**	**18**	4,173	13
Equity contracts				
Options	**39**	**15**	39	12
Total foreign exchange, interest rate and equity contracts	**209,922**	**3,201**	181,703	2,712
Parent				
Foreign exchange, interest rate and equity contracts				
Exchange rate contracts				
Forwards	**22,240**	**553**	27,015	676
Swaps	**32,969**	**1,477**	17,901	951
Options	**4,182**	**52**	10,516	156
Interest rate contracts				
Forwards	**10,096**	**5**	11,110	4
Swaps	**121,066**	**1,079**	92,958	900
Futures	**10,965**	**-**	16,642	-
Options	**7,357**	**18**	4,173	13
Equity contracts				
Options	**39**	**15**	39	12
Total foreign exchange, interest rate and equity contracts	**208,914**	**3,199**	180,354	2,712

35. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS

The credit risk exposure of contingent liabilities and credit related commitments has been based upon the risk weighted credit equivalent amounts determined in accordance with the Reserve Bank of New Zealand's capital adequacy guidelines. The estimated face or contract values and credit equivalent amounts are as follows:

	30/09/2005		30/09/2004	
Credit related commitments	**Face or Contract Value $m**	**Credit Equivalent Amount $m**	Face or Contract Value $m	Credit Equivalent Amount $m
Consolidated				
Commitments with certain drawdown due within one year	**1,064**	**1,064**	1,269	1,269
Underwriting facilities	**-**	**-**	68	34
Commitments to provide financial services	**17,634**	**669**	14,684	602
Total credit related commitments	**18,698**	**1,733**	16,021	1,905
Parent				
Commitments with certain drawdown due within one year	**1,064**	**1,064**	1,269	1,269
Underwriting facilities	**-**	**-**	68	34
Commitments to provide financial services	**17,164**	**669**	14,364	601
Total credit related commitments	**18,228**	**1,733**	15,701	1,904
Contingent liabilities				
Consolidated				
Financial guarantees	**1,338**	**1,338**	1,168	1,168
Standby letters of credit	**285**	**285**	215	215
Transaction related contingent items	**306**	**153**	276	138
Trade related contingent liabilities	**236**	**47**	200	40
Total contingent liabilities	**2,165**	**1,823**	1,859	1,561
Parent				
Financial guarantees	**1,338**	**1,338**	1,168	1,168
Standby letters of credit	**285**	**285**	215	215
Transaction related contingent items	**306**	**153**	276	138
Trade related contingent liabilities	**229**	**46**	196	39
Total contingent liabilities	**2,158**	**1,822**	1,855	1,560

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

35. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS (continued)

The detailed and estimated maximum amount of contingent liabilities that may become payable are set out below.

Contingent tax liability

As previously disclosed, the New Zealand Inland Revenue Department ('IRD') is reviewing a number of structured finance transactions as part of an audit of the 2000 to 2003 tax years. This is part of an industry-wide review by the IRD of these transactions undertaken in New Zealand.

The Bank has received Notices of Proposed Adjustment (the 'Notices') in respect of some of these transactions. The Notices are formal advice that the IRD is proposing to amend tax assessments. The Notices are not tax assessments and do not establish a tax liability but are the first step in a formal disputes process.

As expected, in March 2005 the IRD issued amended tax assessments as a follow up to the Notices in respect of two of these transactions for the 2000 tax year (prior to that tax year becoming statute-barred).

Based on the independent tax and legal advice obtained, the Bank is confident that the tax treatment it has adopted for these transactions and all similar transactions is correct.

The tax adjustments proposed so far by the IRD cover the 2000 to 2003 tax years and imply a maximum potential liability of $159 million ($208 million with interest tax effected).

The IRD is also investigating other transactions undertaken by the Banking Group which have been subject to the same tax treatment. Should the same position be taken by the IRD for all years on all these transactions, including those that the Notices cover, the maximum potential liability would be approximately $358 million ($432 million with interest tax effected) as at 30 September 2005.

Of the maximum potential tax liability in dispute, it has been estimated that approximately $99 million ($124 million with interest tax effected) is subject to indemnities given by Lloyds TSB Bank plc under the agreement by which the Bank acquired the NBNZ Group, and which relate to transactions undertaken by NBNZ Group before December 2003.

This leaves a net potential tax liability as at 30 September 2005 of $259 million ($308 million with interest tax effected).

The Bank has not entered into similar transactions for some time. All of these transactions have now either matured or been terminated.

Other contingent liabilities

The Commerce Commission is investigating the banking industry in relation to the disclosure of currency conversion fees on foreign currency credit and debit card transactions. The Bank has been charged under the Fair Trading Act 1986 in relation to ANZ and National Bank branded credit card products. The Bank considers that any liability under the charges is not likely to be material to its overall financial position.

An actuarial valuation of The National Bank of New Zealand Staff Superannuation Fund (the 'Fund') as at 1 April 2005 undertaken in October 2005, showed that the actuarial valuation of past service liabilities exceeded the value of the Fund's assets by $9 million. This amount is not included as a liability within these financial statements. This deficit will be funded at the contribution rate recommended by the independent actuary, AON Consulting New Zealand Limited.

36. ON-BALANCE SHEET FINANCIAL INSTRUMENTS

The table below summarises the carrying amounts and fair values of each class of financial assets and liabilities. The methods and significant assumptions applied in determining fair values are outlined on the following page.

	30/09/2005		30/09/2004	
Consolidated	**Carrying Amount $m**	**Fair Value $m**	Carrying Amount $m	Fair Value $m
Assets				
Liquid assets	**1,857**	**1,857**	1,473	1,473
Due from other financial institutions	**5,472**	**5,471**	2,930	2,930
Trading securities	**912**	**912**	680	680
Investment securities	**1,270**	**1,270**	1,333	1,334
Net loans and advances	**69,139**	**69,525**	60,391	60,788
Other assets	**2,116**	**2,116**	2,896	2,896
Total financial assets	**80,766**	**81,151**	69,703	70,101
Liabilities				
Due to other financial institutions	**4,204**	**4,204**	1,372	1,372
Deposits and other borrowings	**59,546**	**59,504**	53,912	53,886
Creditors and other liabilities	**3,014**	**3,014**	4,042	4,042
Bonds and notes	**6,139**	**6,139**	2,747	2,761
Related party funding	**2,650**	**2,650**	2,777	2,777
Loan capital	**1,475**	**1,474**	1,357	1,365
Total financial liabilities	**77,028**	**76,985**	66,207	66,203
Parent				
Assets				
Liquid assets	**1,857**	**1,857**	1,456	1,456
Due from other financial institutions	**4,056**	**4,055**	1,851	1,851
Trading securities	**912**	**912**	680	680
Investment securities	**1,270**	**1,270**	1,030	1,031
Net loans and advances	**65,788**	**66,174**	56,712	57,087
Due from subsidiary companies	**1,430**	**1,430**	30	30
Other assets	**2,005**	**2,005**	2,799	2,799
Total financial assets	**77,318**	**77,703**	64,558	64,934
Liabilities				
Due to other financial institutions	**2,151**	**2,151**	1,006	1,006
Deposits and other borrowings	**47,959**	**47,927**	44,039	44,011
Due to subsidiary companies	**23,878**	**23,878**	19,928	19,928
Creditors and other liabilities	**2,833**	**2,833**	3,909	3,909
Bonds and notes	**604**	**604**	643	649
Related party funding	**2,650**	**2,650**	2,777	2,777
Loan capital	**1,475**	**1,474**	1,357	1,365
Total financial liabilities	**81,550**	**81,517**	73,659	73,645

36. ON-BALANCE SHEET FINANCIAL INSTRUMENTS (continued)

Methodologies

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Quoted market prices, where available, are used as the measure of fair value. In cases where quoted market values are not available, fair values are based on present value estimates or other valuation techniques. For the majority of short-term financial instruments, defined as those which reprice or mature within 90 days or less, with no significant change in credit risk, the fair value is assumed to equate to the carrying amount in the Banking Group's Statement of Financial Position.

The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The fair value amounts have not been updated for the purposes of these financial statements since balance date, and therefore the fair value of the financial instruments subsequent to balance date may be different from the amounts reported. The aggregate fair value amounts do not represent the underlying value of the Banking Group.

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Liquid assets and Due from other financial institutions
The carrying values of these financial instruments are considered to approximate their fair values.

Trading securities
Trading securities are carried at market value. Market value is generally based on quoted market prices, broker or dealer price quotations or prices for securities with similar credit risk, maturity and yield characteristics.

Investment securities
Fair value is based on quoted market prices, or broker or dealer price quotations. If this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Loans and advances
The carrying value of net loans and advances is net of specific and general provisions for doubtful debts and income yet to mature. The estimated fair value of net loans and advances is based on the discounted amount of estimated future cash flows and accordingly has not been adjusted for either specific or general provisions for doubtful debts.

Estimated contractual cash flows for performing loans are discounted at estimated current bank credit spreads to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate which includes a premium for the uncertainty of the flows.

The difference between estimated fair values of net loans and advances and their carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Other assets
Included in this category are accrued interest, fees receivable and derivative financial instruments. The carrying values are considered to approximate their fair value. Prepaid expenses are not considered financial assets.

Due to other financial institutions
The carrying value of amounts due to other financial institutions is considered to approximate their fair value.

Deposits and other borrowings
The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows.

Creditors and other liabilities
Included in this category are accrued interest, fees payable and derivative financial instruments. The carrying values are considered to approximate their fair value. Accrued charges and sundry tax liabilities are not considered financial liabilities.

Bonds and notes, Related party funding and Loan capital
The fair value of bonds and notes and loan capital was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the instrument was used. The carrying value of related party funding is considered to approximate their fair value.

37. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES

The interest rate sensitivity analysis of on-balance sheet financial assets and financial liabilities has been prepared on the basis of contractual maturity or next repricing date, whichever is the earlier, except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Banking Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Effective interest rates on hedged transactions within classes of financial assets or liabilities are disclosed inclusive of the impact of the hedging transaction. However, the financial assets or liabilities carrying values do not incorporate the values of the hedging transactions.

Consolidated – 30/09/2005	Weighted Effective Interest Rate	Total Carrying Value $m	At Call Or Less Than 3 Months $m	3-6 Months $m	6-12 Months $m	1-5 Years $m	Beyond 5 Years $m	Not Bearing Interest $m
Assets								
Liquid assets	5.52%	1,857	1,438	-	-	-	-	419
Due from other financial institutions	6.38%	5,472	3,766	111	71	219	1,183	122
Trading securities	6.69%	912	585	51	100	175	1	-
Investment securities	6.29%	1,270	827	340	35	20	48	-
Net loans and advances	8.20%	69,139	30,160	4,478	8,973	25,656	325	(453)
Other assets	n/a	2,116	-	-	-	-	-	2,116
Total financial assets		80,766	36,776	4,980	9,179	26,070	1,557	2,204
Non-financial assets	n/a	4,535	-	-	-	-	-	4,535
Total assets		85,301	36,776	4,980	9,179	26,070	1,557	6,739
Liabilities								
Due to other financial institutions	5.97%	4,204	3,230	-	-	-	828	146
Deposits and other borrowings	5.78%	59,546	43,227	6,577	3,785	1,886	45	4,026
Creditors and other liabilities	n/a	3,014	219	-	-	-	-	2,795
Bonds and notes	7.05%	6,139	5,313	48	14	764	-	-
Related party funding	6.75%	2,650	2,650	-	-	-	-	-
Loan capital	7.54%	1,475	-	725	100	650	-	-
Total financial liabilities		77,028	54,639	7,350	3,899	3,300	873	6,967
Non-financial liabilities	n/a	517	-	-	-	-	-	517
Equity	n/a	7,756	-	-	-	-	-	7,756
Total liabilities and equity		85,301	54,639	7,350	3,899	3,300	873	15,240
On-balance sheet interest sensitivity gap		-	(17,863)	(2,370)	5,280	22,770	684	(8,501)
Net off-balance sheet hedging instruments	n/a	-	28,112	(2,210)	(7,099)	(18,209)	(594)	-
Interest sensitivity gap – net		-	10,249	(4,580)	(1,819)	4,561	90	(8,501)
Interest sensitivity gap – cumulative		-	10,249	5,669	3,850	8,411	8,501	-

37. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES (continued)

Consolidated – 30/09/2004	Weighted Effective Interest Rate	Total Carrying Value $m	At Call Or Less Than 3 Months $m	3-6 Months $m	6-12 Months $m	1-5 Years $m	Beyond 5 Years $m	Not Bearing Interest $m
Assets								
Liquid assets	5.45%	1,473	1,167	-	-	-	-	306
Due from other financial institutions	7.96%	2,930	1,619	238	482	591	-	-
Trading securities	6.19%	680	161	248	150	100	21	-
Investment securities	4.82%	1,333	919	253	104	54	3	-
Net loans and advances	7.94%	60,391	29,905	3,673	8,133	18,957	65	(342)
Other assets	n/a	2,896	105	76	31	117	-	2,567
Total financial assets		69,703	33,876	4,488	8,900	19,819	89	2,531
Non-financial assets	n/a	4,509	-	-	-	-	-	4,509
Total assets		74,212	33,876	4,488	8,900	19,819	89	7,040
Liabilities								
Due to other financial institutions	5.25%	1,372	1,368	-	-	-	-	4
Deposits and other borrowings	5.19%	53,912	40,130	4,702	3,422	2,528	-	3,130
Creditors and other liabilities	n/a	4,042	194	160	208	274	12	3,194
Bonds and notes	6.53%	2,747	2,549	15	6	177	-	-
Related party funding	6.25%	2,777	2,777	-	-	-	-	-
Loan capital	7.07%	1,357	-	507	100	750	-	-
Total financial liabilities		66,207	47,018	5,384	3,736	3,729	12	6,328
Non-financial liabilities	n/a	624	-	-	-	-	-	624
Equity	n/a	7,381	-	-	-	-	-	7,381
Total liabilities and equity		74,212	47,018	5,384	3,736	3,729	12	14,333
On-balance sheet interest sensitivity gap		-	(13,142)	(896)	5,164	16,090	77	(7,293)
Net off-balance sheet hedging instruments	n/a	-	21,503	(2,872)	(9,154)	(9,758)	281	-
Interest sensitivity gap – net		-	8,361	(3,768)	(3,990)	6,332	358	(7,293)
Interest sensitivity gap – cumulative		-	8,361	4,593	603	6,935	7,293	-

37. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES (continued)

Parent – 30/09/2005	Weighted Effective Interest Rate	Total Carrying Value $m	At Call Or Less Than 3 Months $m	3-6 Months $m	6-12 Months $m	1-5 Years $m	Beyond 5 Years $m	Not Bearing Interest $m
Assets								
Liquid assets	5.52%	1,857	1,438	-	-	-	-	419
Due from other financial institutions	6.15%	4,056	3,714	111	7	19	83	122
Trading securities	6.69%	912	585	51	100	175	1	-
Investment securities	6.29%	1,270	827	340	35	20	48	-
Net loans and advances	8.14%	65,788	28,936	4,340	8,707	23,948	317	(460)
Due from subsidiary companies	4.39%	1,430	285	-	-	365	272	508
Other assets	n/a	2,005	-	-	-	-	-	2,005
Total financial assets		77,318	35,785	4,842	8,849	24,527	721	2,594
Non-financial assets	n/a	11,311	-	-	-	-	-	11,311
Total assets		88,629	35,785	4,842	8,849	24,527	721	13,905
Liabilities								
Due to other financial institutions	5.20%	2,151	2,001	-	-	-	-	150
Deposits and other borrowings	5.50%	47,959	34,085	5,326	2,900	1,622	-	4,026
Due to subsidiary companies	6.81%	23,878	21,640	1,161	327	705	45	-
Creditors and other liabilities	n/a	2,833	219	-	-	-	-	2,614
Bonds and notes	6.59%	604	546	-	-	58	-	-
Related party funding	6.75%	2,650	2,650	-	-	-	-	-
Loan capital	7.54%	1,475	-	725	100	650	-	-
Total financial liabilities		81,550	61,141	7,212	3,327	3,035	45	6,790
Non-financial liabilities	n/a	464	-	-	-	-	-	464
Equity	n/a	6,615	-	-	-	-	-	6,615
Total liabilities and equity		88,629	61,141	7,212	3,327	3,035	45	13,869
On-balance sheet interest sensitivity gap		-	(25,356)	(2,370)	5,522	21,492	676	36
Net off-balance sheet hedging instruments	n/a	-	27,365	(2,210)	(7,067)	(17,494)	(594)	-
Interest sensitivity gap – net		-	2,009	(4,580)	(1,545)	3,998	82	36
Interest sensitivity gap – cumulative		-	2,009	(2,571)	(4,116)	(118)	(36)	-

37. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES (continued)

Parent – 30/09/2004	Weighted Effective Interest Rate	Total Carrying Value $m	At Call Or Less Than 3 Months $m	3-6 Months $m	6-12 Months $m	1-5 Years $m	Beyond 5 Years $m	Not Bearing Interest $m
Assets								
Liquid assets	5.51%	1,456	1,167	-	-	-	-	289
Due from other financial institutions	5.82%	1,851	1,613	238	-	-	-	-
Trading securities	6.19%	680	161	248	150	100	21	-
Investment securities	6.11%	1,030	616	253	104	54	3	-
Net loans and advances	7.88%	56,712	28,430	3,525	7,800	17,427	52	(522)
Due from subsidiary companies	6.81%	30	30	-	-	-	-	-
Other assets	n/a	2,799	105	76	31	117	-	2,470
Total financial assets		64,558	32,122	4,340	8,085	17,698	76	2,237
Non-financial assets	n/a	16,162	-	-	-	-	-	16,162
Total assets		80,720	32,122	4,340	8,085	17,698	76	18,399
Liabilities								
Due to other financial institutions	4.87%	1,006	1,005	-	-	-	-	1
Deposits and other borrowings	4.85%	44,039	32,598	3,902	2,426	1,984	-	3,129
Due to subsidiary companies	6.28%	19,928	17,266	1,757	555	350	-	-
Creditors and other liabilities	n/a	3,909	63	160	208	274	12	3,192
Bonds and notes	6.73%	643	571	-	6	66	-	-
Related party funding	6.25%	2,777	2,777	-	-	-	-	-
Loan capital	7.07%	1,357	-	507	100	750	-	-
Total financial liabilities		73,659	54,280	6,326	3,295	3,424	12	6,322
Non-financial liabilities	n/a	459	-	-	-	-	-	459
Equity	n/a	6,602	-	-	-	-	-	6,602
Total liabilities and equity		80,720	54,280	6,326	3,295	3,424	12	13,383
On-balance sheet interest sensitivity gap		-	(22,158)	(1,986)	4,790	14,274	64	5,016
Net off-balance sheet hedging instruments	n/a	-	20,661	(2,865)	(9,131)	(8,946)	281	-
Interest sensitivity gap – net		-	(1,497)	(4,851)	(4,341)	5,328	345	5,016
Interest sensitivity gap – cumulative		-	(1,497)	(6,348)	(10,689)	(5,361)	(5,016)	-

38. CONCENTRATIONS OF CREDIT RISK

Credit risk exposures

The maximum credit risk of on-balance sheet financial assets is best represented by the carrying amount of the assets, net of any allowance for impairment loss. The credit risk exposure does not take into account the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments.

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Liquid assets	**1,857**	1,473	**1,857**	1,456
Due from other financial institutions	**5,472**	2,930	**4,056**	1,851
Trading securities	**912**	680	**912**	680
Investment securities	**1,270**	1,333	**1,270**	1,030
Net loans and advances	**69,139**	60,391	**65,788**	56,712
Due from subsidiary companies	**-**	-	**1,430**	30
Other assets	**2,116**	2,896	**2,005**	2,799
Total on-balance sheet credit exposures	**80,766**	69,703	**77,318**	64,558

Concentrations of credit risk by industry

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditons. Analyses of financial assets by industry sector using Australian and New Zealand Standard Industrial Classification (ANZSIC) codes were as follows:

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Instalment and personal lending	**2,679**	2,584	**2,200**	2,121
Real estate mortgages	**40,791**	35,882	**40,677**	35,769
Agriculture, forestry and fishing	**11,049**	10,116	**10,793**	9,814
Mining	**69**	72	**45**	53
Manufacturing	**3,021**	2,187	**2,665**	1,767
Construction	**681**	689	**517**	451
Retail and wholesale	**2,488**	2,064	**2,397**	1,969
Transport	**1,449**	1,142	**884**	447
Communications	**224**	159	**198**	121
Finance, investment and insurance	**12,211**	9,725	**11,391**	7,165
Business and personal services	**1,012**	753	**940**	614
Government and local authority	**2,780**	2,496	**2,559**	2,453
Electricity, gas and water	**1,274**	813	**1,030**	813
Entertainment, leisure and tourism	**1,020**	966	**1,004**	951
Other	**18**	55	**18**	50
Total on-balance sheet financial assets	**80,766**	69,703	**77,318**	64,558

38. CONCENTRATIONS OF CREDIT RISK (continued)

Concentrations of credit risk to individual counterparties

The number of individual counterparties other than banks or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposures equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, on the basis of limits:

	Consolidated			
	30/09/2005		30/09/2004	
	Number of Counterparties		Number of Counterparties	
	As at	**Peak for the quarter**	As at	Peak for the quarter
10% to 20% of equity	**1**	**2**	3	3

As noted above, the number of individual counterparties disclosed within the various equity ranges is based on counterparty limits rather than actual exposures outstanding. No account is taken of security and/or guarantees which the Banking Group may hold in respect of the various counterparty limits.

The amount and percentage of quarter end and peak end-of-day credit exposures to individual counterparties other than banks or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposures equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, by credit rating:

	Consolidated			
	30/09/2005		30/09/2004	
As at	**Amount $m**	**% of Total Credit Exposure**	Amount $m	% of Total Credit Exposure
Investment grade credit rating (Note 1)	**946**	**100.0%**	3,335	100.0%
Peak for the quarter				
Investment grade credit rating (Note 1)	**1,815**	**100.0%**	3,367	100.0%

Concentrations of credit risk to bank counterparties

The number of bank counterparties or groups of closely related counterparties of which a bank is the parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposures equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10%, on the basis of actual exposures:

	Consolidated			
	30/09/2005		30/09/2004	
	Number of Counterparties		Number of Counterparties	
	As at	**Peak for the quarter**	As at	Peak for the quarter
10% to 20% of equity	**3**	**2**	-	2
20% to 30% of equity	**-**	**2**	-	-

The amount and percentage of quarter end and peak end-of-day credit exposures to bank counterparties or groups of closely related counterparties of which a bank is a parent (excluding OECD Governments and connected persons), where the quarter end and peak end-of-day credit exposures equals or exceeds 10% of equity (as at the end of the quarter) in ranges of 10% of equity, by credit rating:

	Consolidated			
	30/09/2005		30/09/2004	
As at	**Amount $m**	**% of Total Credit Exposure**	Amount $m	% of Total Credit Exposure
Investment grade credit rating (Note 1)	**3,378**	**100.0%**	-	n/a
Peak for the quarter				
Investment grade credit rating (Note 1)	**5,611**	**100.0%**	1,899	100.0%

Concentrations of credit risk to government

The Banking Group has a credit exposure to the New Zealand Government of 20% to 30% of equity (30/09/2004 20% to 30% of equity).

Note 1

An investment grade credit rating means a credit rating of BBB- or Baa3 or above, or its equivalent. In the case of a group of closely related counterparties, the credit rating applicable is that of the entity heading the group of closely related counterparties. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars, or to an entity's long term senior unsecured foreign currency obligations.

38. CONCENTRATIONS OF CREDIT RISK (continued)

Concentrations of credit risk to connected persons

	Consolidated			
	30/09/2005		30/09/2004	
	Amount $m	**% of Total Tier 1 Capital**	Amount $m	% of Total Tier 1 Capital
Aggregate at end of quarter				
Connected persons (Note 2)	**904**	**19.3%**	675	16.9%
Non-bank connected persons (Note 3)	**-**	**0.0%**	-	0.0%
Peak end-of-day for the quarter (Note 4)				
Connected persons	**1,004**	**21.5%**	977	24.4%
Non-bank connected persons	**-**	**0.0%**	-	0.0%
Rating-contingent limit (Note 5)				
Connected persons	**n/a**	**70.0%**	n/a	70.0%
Non-bank connected persons	**n/a**	**15.0%**	n/a	15.0%

The credit exposure concentrations disclosed for connected persons are on the basis of actual gross exposures and exclusive of exposures of a capital nature. The peak end-of-day credit exposures for the quarter to connected persons are measured over Tier 1 Capital at the end of the quarter. There are no specific provisions provided against credit exposures to connected persons as at 30 September 2005 (30/09/2004 $nil).

Note 2
The Banking Group has amounts due from its Ultimate Parent Company and other entities within the Ultimate Parent Group arising from the ordinary course of its business. These balances arise primarily from deposits of surplus foreign currency and other foreign currency transactions.

Note 3
Non-bank connected persons exposures consist of loans to directors of the Bank. All loans were made in the ordinary course of business of the Bank, on an arm's length basis and on normal commercial terms and conditions. There are no loans made to other directors of the Banking Group.

Note 4
The method of calculating the peak end-of-day disclosure above differs from that applied in determining the connected persons' limit under the Bank's Conditions of Registration. The peak end-of-day disclosure is measured against Tier 1 Capital at quarter end whereas the connected persons' exposure under the Conditions of Registration is measured against Tier 1 Capital on a continuous basis. The Banking Group has complied with the limits on aggregate credit exposures (of a non-capital nature and net of specific provisions) to connected persons and non-bank connected persons, as set out in the Conditions of Registration, at all times during the quarter.

Note 5
Represents the maximum peak end-of-day aggregate credit exposures limit (exclusive of exposures of a capital nature and net of specific provisions) to all connected persons. This is based on the rating applicable to the Bank's long term senior unsecured NZD obligations payable in New Zealand, in New Zealand dollars (refer page 7 for the credit rating). Within the overall limit a sub-limit of 15% of Tier 1 Capital applies to aggregate credit exposures (exclusive of exposures of a capital nature and net of specific provisions) to non-bank connected persons. No changes to the rating-contingent limit have occurred during the quarter.

39. CONCENTRATIONS OF FUNDING

	Consolidated		Parent	
	30/09/2005	30/09/2004	**30/09/2005**	30/09/2004
Concentrations of funding by industry	**$m**	$m	**$m**	$m
Agriculture, forestry and fishing	**1,631**	1,563	**1,631**	1,563
Mining	**1,185**	131	**1,185**	131
Manufacturing	**1,189**	988	**1,189**	988
Construction	**636**	544	**636**	544
Retail and wholesale	**1,285**	1,225	**1,285**	1,225
Transport	**673**	475	**673**	475
Communications	**72**	83	**72**	83
Finance, investment and insurance	**33,207**	24,211	**40,239**	33,786
Business and personal services	**4,334**	3,917	**4,334**	3,917
Government and local authority	**1,409**	1,513	**1,409**	1,513
Electricity, gas and water	**331**	337	**131**	137
Entertainment, leisure and tourism	**439**	549	**439**	549
Households	**27,623**	26,629	**25,494**	24,839
Total concentrations of funding by industry	**74,014**	62,165	**78,717**	69,750
Concentrations of funding by product				
Due to other financial institutions	**4,204**	1,372	**2,151**	1,006
Certificates of deposits	**4,652**	3,689	**4,652**	3,689
Term deposits	**22,957**	22,096	**22,957**	22,096
Demand deposits	**20,350**	18,256	**20,350**	18,254
Commercial paper	**9,255**	7,495	**-**	-
Secured debenture stock	**2,132**	2,176	**-**	-
Secured deposits	**200**	200	**-**	-
Due to subsidiary companies	**-**	-	**23,878**	19,928
Bonds and notes	**6,139**	2,747	**604**	643
Related party funding	**2,650**	2,777	**2,650**	2,777
Loan capital	**1,475**	1,357	**1,475**	1,357
Total concentrations of funding by product	**74,014**	62,165	**78,717**	69,750

40. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		Parent	
	30/09/2005 $m	30/09/2004 $m	**30/09/2005 $m**	30/09/2004 $m
Reconciliation of operating surplus to net cash flow from operating activities				
Operating surplus	**735**	680	**373**	240
Adjustments to operating surplus				
Depreciation	**132**	121	**32**	22
Provision for doubtful debts	**122**	133	**110**	67
Amortisation of goodwill	**182**	151	**171**	43
Writedown of investment in subsidiary company	**-**	-	**4,928**	-
Writedown of investment in associate company	**6**	-	**-**	-
Amortisation of premiums and discounts	**100**	2	**100**	2
Unrealised foreign exchange losses (gains)	**67**	(40)	**20**	(40)
Equity accounted earnings of associates	**(1)**	(2)	**-**	-
Gain on disposal of insurance and funds management activities	**(16)**	-	**(39)**	-
Gain on disposal of associates	**(5)**	(1)	**-**	-
Loss (gain) on disposal of premises and equipment	**1**	(7)	**5**	1
Devaluation of put option	**-**	5	**-**	-
Decrease (increase) in accrued interest income	**109**	(72)	**115**	14
Increase in accrued interest expense	**147**	9	**122**	-
Increase in accrued commission and other income	**(26)**	(9)	**(27)**	(9)
(Decrease) increase in accrued charges	**(26)**	6	**(16)**	11
(Decrease) increase in income tax liabilities	**(83)**	129	**(7)**	29
(Increase) decrease in income tax assets	**(34)**	40	**(175)**	(45)
Increase (decrease) in provisions	**7**	(21)	**6**	(16)
Net cash flow from operating activities	**1,417**	1,124	**5,718**	319

41. MARKET RISK

	Consolidated			
	30/09/2005		30/09/2004	
Exposures to market risk	**As at**	**Peak for the quarter**	As at	Peak for the quarter
Aggregate foreign currency exposures ($ million)	**4.1**	**7.5**	4.1	12.0
Aggregate foreign currency exposures as a percentage of equity	**0.1%**	**0.1%**	0.1%	0.2%
Aggregate interest rate exposures ($ million)	**178.8**	**216.0**	157.7	164.3
Aggregate interest rate exposures as a percentage of equity	**2.3%**	**2.8%**	2.1%	2.2%
Aggregate equity exposures ($ million)	**0.6**	**0.6**	0.7	1.0
Aggregate equity exposures as a percentage of equity	**0.0%**	**0.0%**	0.0%	0.0%

Aggregate market risk exposures have been calculated in accordance with clause 1 (1) (a) of Schedule 7 of the Order. Aggregate foreign currency risk exposures have been calculated in accordance with clause 8 (a) of Schedule 8 of the Order. Aggregate interest rate risk exposures have been calculated in accordance with clause 1 (b) of Schedule 8 of the Order. Aggregate equity risk exposures have been calculated in accordance with clause 11 (a) of Schedule 8 of the Order. The peak end-of-day market risk exposures for the quarter are measured over equity at the end of the quarter.

42. SUBSIDIARY COMPANIES AND GROUP INTERESTS OF ANZ NATIONAL BANK LIMITED

Subsidiary companies	Ownership Interest %	Balance Dates	Nature of business
Abbey Life Limited	100	30 September	Non operative
Airlie Investments Limited	100	30 September	Investment company
Alos Holdings Limited	100	31 December	Investment company
Amberley Investments	50	31 December	Finance company
ANZ Investment Services (New Zealand) Limited	100	30 September	Funds management company
ANZ National (Int'l) Limited	100	30 September	Finance facilities
APAC Investments Limited	65	30 September	Finance company
Arawata Assets Limited	100	30 September	Property company
Arawata Capital Limited	100	30 September	Investment company
Arawata Finance Limited	100	30 September	Investment company
Arawata Holdings Limited	100	30 September	Investment company
Arawata Investments Limited	100	30 September	Non operative
Arawata Securities Limited	100	30 September	Finance company
Argitis Holdings Limited	100	30 September	Non operative
Bage Investments Limited	100	30 September	Non operative
BHI Limited	100	30 September	Investment company
Burnley Investments Limited	100	30 September	Investment company
CBC Finance Limited (incorporated in United Kingdom)	100	31 December	Finance company
Control Nominees Limited	100	30 September	Finance company
Cortland Finance Limited	100	30 September	Investment company
Corvine Investments Limited	100	30 September	Investment company
Countrywide Endeavour Building Society	100	31 December	Non operative
Countrywide Funds Management Limited	100	30 September	Non operative
Culver Finance Limited	100	30 September	Investment company
EFTPOS Australia Pty Limited (incorporated in Australia)	100	30 September	Non operative
EFTPOS New Zealand Limited	100	30 September	Eftpos service provider
Endeavour Caterpillar New Zealand Finance Company	50	30 September	Investment company
Endeavour Equities Limited	100	30 September	Investment company
Endeavour Finance Limited	100	30 September	Investment company
Endeavour Securities Limited	100	30 September	Investment company
Eventide Holdings Limited	100	30 September	Non operative
Goblin Productions Limited	100	30 September	Investment company
Harcourt Corporation Limited	100	30 September	Investment company
Harcourt Investments Limited	100	30 September	Investment company
Karapiro Investments Limited	100	31 December	Non operative
Moginie Holdings Limited	100	30 September	Investment company
National Bank of New Zealand Custodians Limited	100	30 September	Nominee and custody services
Nationwide Home Loans Limited	100	30 September	Mortgage finance
Nationwide Mortgage Brokers Limited	100	30 September	Non operative
NBNZ Finance Limited	100	30 September	Finance company
NBNZ Holdings (Australia) Pty Limited (incorporated in Australia)	100	31 December	Non operative
NBNZ Holdings Hong Kong Limited (incorporated in Hong Kong)	100	31 December	Non operative
NBNZ Holdings Limited	100	30 September	Finance company
Nerine Finance No. 2	65	31 December	Finance company
Philodendron Investments Limited	100	30 September	Non operative
Private Nominees Limited	100	30 September	Nominee company
Repton Group Limited	100	30 September	Non operative
Salient Holdings	100	31 December	Investment company
Salient Holdings (No. 2)	100	31 December	Investment company
Sefton Finance Limited	100	30 September	Investment company
Ship Finance Limited	100	30 September	Non operative
South Pacific Merchant Finance Limited	100	30 September	Investment company
Southpac Corporation Limited	100	30 September	Investment company
Southpac Holdings Limited	100	30 September	Non operative
Southpac Securities Limited	100	30 September	Non operative
Southpac Trusts Limited	100	30 September	Non operative
Starz Trust	65	31 December	Finance entity
Trillium Holdings Limited	100	30 September	Finance company
Truck Leasing Limited	100	30 September	Leasing company
Tui Endeavour Limited	100	30 September	Investment company
Tui Securities Limited	100	30 September	Investment company
UDC Finance Limited	100	30 September	Finance company
VPM Investments Limited	100	30 September	Non operative

42. SUBSIDIARY COMPANIES AND GROUP INTERESTS OF ANZ NATIONAL BANK LIMITED (continued)

For all subsidiaries, with the exception of Amberley Investments, the ownership interest percentage equates to the voting power held. The voting interest held in Amberley Investments is 90%.

In relation to Amberley Investments, control exists through the majority of benefits arising as a result of holding debentures.

In relation to Endeavour Caterpillar New Zealand Finance Company, control exists through the ability to cast, or control the casting of more than half of the votes that are likely to be cast at a general meeting over significant matters.

On 9 November 2004, Private Nominees Limited was incorporated as a subsidiary of the Bank.

On 17 and 18 January 2005, the Banking Group redeemed its interest in Salient Trust and Salient Trust II.

On 28 February 2005, National Bank Income Bond Trust was wound up.

On 30 April 2005, Southpac Global Trust was wound up.

On 31 August 2005, Cortland Finance Limited sold its interest in Gold Liquid Investments Limited to a third party.

On 1 September 2005, Arawata Capital Limited was incorporated as a subsidiary of the Bank. On 29 September 2005, Arawata Capital Limited acquired a 65% interest in APAC Investments Limited, a finance company.

On 19 September 2005, Tui Securities Limited sold its interest in CNZ Investment Trust to a third party.

On 26 September 2005, Harcourt Investments Limited sold its interest in Maplestead Corporation to a third party.

On 27 September 2005, Harcourt Corporation Limited exited its interest in The Towers Syndicate Partnership by the sale of its shareholding in Urchin Productions Limited by way of exercise of a share put. Prior to the sale, all remaining rights held by Urchin Productions Limited in The Towers Syndicate Partnership were transferred to Harcourt Corporation Limited.

On 28 September 2005, Culver Finance Limited sold its interest in ThreeStarz Corporation to a third party.

On 30 September 2005, the Bank sold its interest in NBNZ Life Insurance Limited and NBNZ Investment Services Limited to the ING NZ joint venture established with ING Insurance International B.V. ('INGII').

On 5 October 2005, Burnley Investments Limited sold its interest in Whitelaw Investments to a third party.

Associate companies	Voting Interest %	Ownership Interest %	Balance Dates	Nature of business
BCS Group Limited	43	43	30 June	Manufacturer of baggage handling systems
Chequer Corporation Limited	35	54	30 September	Plastics manufacturing and recycling
Electronic Transaction Services Limited	25	25	31 March	Eftpos settlements
Greenacres Franchise Group Limited	43	43	31 March	Home maintenance franchise
ILSC Limited	12	12	30 June	Investment company
ING (NZ) Holdings Limited	50	49	31 December	Funds management and insurance
Interchange and Settlement Limited	13	25	31 March	Transactional settlements
Mondex New Zealand Limited	40	40	31 December	Card services
The King Returns Syndicate Partnership	25	40	30 September	Film investments
United Carriers Group Limited	25	80	31 March	General freight transportation
Visa New Zealand Limited	27	17	30 September	Card services

On 18 October 2004, the Bank invested $2 million, acquiring a 43% voting interest in Greenacres Franchise Group Limited.

On 31 March 2005, Endeavour Equities Limited sold its interest in Pacific Print Group Limited to a third party.

On 30 September 2005, the Bank invested $164 million, acquiring a 49% interest in ING (NZ) Holdings Limited, a joint venture operation with INGII.

On 1 October 2005, the Bank invested $4 million, acquiring a 43% interest in BCS Group Limited.

43. INSURANCE BUSINESS

Prior to 30 September 2005, the Banking Group conducted life insurance business through its wholly owned subsidiary, NBNZ Life Insurance Limited ('NBNZ Life'). On 30 September 2005, NBNZ Life was sold to the New Zealand joint venture established between the Bank and INGII. The joint venture is accounted for as an associate of the Bank, therefore life insurance business is no longer conducted by members of the Banking Group.

The total assets of NBNZ Life at 30 September 2004 were $73 million, which was 0.10% of the total assets of the Banking Group. This complied with the Bank'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.

The business activities of NBNZ Life comprised the provision of term insurance risk products through The National Bank's distribution channels. The Banking Group managed the provision of its insurance business to The National Bank distribution channels through NBNZ Life which maintained a prudent reinsurance programme.

44. SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

Securitisation
The Banking Group has not securitised any of its own assets. The Banking Group is involved in providing banking services to customers who securtise assets.

Funds management
Certain subsidiaries of the Bank act as trustee and/or manager for a number of unit trusts and investment funds, including retirement funds. The Bank provides private banking services to a number of clients, including investment advice and portfolio management. The Banking Group is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

The unit trusts are managed to ensure sufficient liquid assets are held to meet normal redemptions. Any decline in the value of the underlying assets of the unit trusts is reflected in the unit price, and ultimately borne by the investor. The Banking Group does not guarantee the managed fund products with respect to liquidity or asset values.

The ANZ Mortgage Trust holds mortgages under an equitable assignment with the Bank. The ANZ Mortgage Trust can at any time require the Bank to repurchase any mortgage. The Bank may also require repurchase in certain circumstances. The mortgages are included in these financial statements.

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

Some funds under management are invested in products owned by the Banking Group and are recorded as liabilities in the statement of financial position. At 30 September 2005, $422 million of funds under management were invested in the Banking Group's own products (30/09/2004 $797 million).

On 30 September 2005, NBNZ Investment Services Limited and the unit trusts and investment funds it managed, were sold to the New Zealand joint venture established between the Bank and ING Insurance International B.V. The total funds under management sold amounted to $740 million.

The aggregate value of funds managed by the Banking Group at balance date was:

	Consolidated	
	30/09/2005	30/09/2004
	$m	$m
Retirement Plans	**17**	63
Bonus Bonds	**2,325**	2,369
Discretionary funds (including unit trusts)	**1,365**	1,621
Totals funds under management	**3,707**	4,053

Funding was provided to The National Bank Superannuation Bond to facilitate payments, including provisional tax payments. Details of funding provided to funds managed by the Banking Group are detailed below:

	Consolidated			
	30/09/2005		30/09/2004	
Peak aggregate funding for the quarter provided to all activities	**Amount $m**	**% of Group Tier 1 Capital**	Amount $m	% of Group Tier 1 Capital
Retirement Plans	**0.7**	**0.0%**	0.8	0.0%

	Consolidated			
	30/09/2005		30/09/2004	
Peak aggregate funding for the quarter provided to individual activities	**Amount $m**	**% of securities issued**	Amount $m	% of securities issued
The National Bank Superannuation Bond	**0.7**	**3.1%**	0.8	3.2%

The peak end-of-day aggregate funding for the quarter to all activities and to individual activities is measured over Tier 1 Capital and the securities issued respectively as at the end of the quarter.

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

Marketing and distribution of insurance products
The Banking Group marketed and distributed insurance products underwritten by ANZ Life Assurance Company Limited and also independent insurance product providers. On 1 April 2005, the rights and obligations of ANZ Life Assurance Company Limited in respect of insurance policies provided through its New Zealand Branch were transferred to ING Insurance (NZ) Limited. ANZ Life Assurance Company Limited and, prior to its transfer to the New Zealand joint venture, ING Insurance (NZ) Limited are members of the ING Australia Limited joint venture, which is 49% owned by Australia and New Zealand Banking Group Limited (the Ultimate Parent Company) and are therefore affiliated insurance entities under Reserve Bank of New Zealand regulations.

44. SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS (continued)

On 30 September 2005, the Bank established a joint venture in New Zealand with ING Insurance International B.V. The joint venture purchased the ING New Zealand operations, including ING Insurance (NZ) Limited, from the ING Australia joint venture. From 1 October 2005, following the sale of NBNZ Life Insurance Limited to the joint venture, the joint venture will be responsible for the management of all insurance products distributed to customers through both the ANZ and The National Bank brands.

The Banking Group mitigates its exposure to implicit risk by meeting the RBNZ minimum separation requirements. In particular, the Banking Group discloses as required that it does not guarantee any issuer of insurance products nor the products issued, that the insurance policies do not represent deposits or other liabilities of the Banking Group, that the insurance policies are subject to investment risk, including possible loss of income and principal and that the Banking Group does not guarantee the capital value or performance of the policies.

Any financial services provided by the Banking Group to securitisation, funds management and custodial services entities, discretionary private banking activities or issuers of marketed and distributed insurance products are made on an arm's length basis and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

45. CAPITAL ADEQUACY

	Consolidated		Parent	
Capital Adequacy Ratios	**30/09/2005**	30/09/2004	**30/09/2005**	30/09/2004
Tier 1 Capital	**8.1%**	7.9%	**7.9%**	7.7%
Capital	**10.6%**	10.5%	**9.4%**	10.3%
Reserve Bank of New Zealand minimum ratios:				
Tier 1 Capital	**4.0%**	4.0%	**4.0%**	4.0%
Capital	**8.0%**	8.0%	**8.0%**	8.0%

The information contained in the table below has been derived in accordance with the Conditions of Registration imposed pursuant to section 74 (4) (b) of the Reserve Bank of New Zealand Act 1989 and the capital adequacy framework issued by the Reserve Bank of New Zealand.

For the purposes of calculating the capital adequacy ratios for the Parent Bank ("solo basis"), wholly owned and wholly funded subsidiaries of ANZ National Bank Limited are consolidated with the Bank. In this context, wholly funded by the Bank means that there are no liabilities (including off-balance sheet obligations) to anyone other than the Bank, the Department of Inland Revenue and trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's shareholders' equity. Wholly owned by the Bank means that all equity issued by the subsidiary is held by the Bank.

Where there is a full, unconditional, irrevocable cross guarantee between a subsidiary and the Bank, the subsidiary may be consolidated with the Bank for the purposes of calculating the Bank's solo capital position.

	Consolidated 30/09/2005 $m	Parent 30/09/2005 $m
Tier 1 Capital		
Paid in share capital	**5,943**	**5,943**
Revenue and similar reserves	**1,078**	**826**
Current year's net operating surplus	**735**	**717**
Less deductions from Tier 1 Capital		
- Goodwill	**3,081**	**3,072**
Total Tier 1 Capital	**4,675**	**4,414**
Tier 2 Capital – Upper Level Tier 2 Capital		
Perpetual subordinated debt	**292**	**292**
Tier 2 Capital – Lower Level Tier 2 Capital		
Term subordinated debt	**1,183**	**1,183**
Total Tier 2 Capital	**1,475**	**1,475**
Total Tier 1 Capital Plus Tier 2 Capital	**6,150**	**5,889**
Less deductions from Total Capital		
- Equity investments in subsidiaries	**-**	**637**
- Revaluation losses on security holdings	**1**	**1**
Capital	**6,149**	**5,251**
Total risk-weighted exposures		
On-balance sheet exposures	**54,769**	**52,753**
Off-balance sheet exposures	**3,124**	**3,087**
	57,893	**55,840**

45. CAPITAL ADEQUACY (continued)

Total Risk Weighted Exposures of the Banking Group as at 30 September 2005:

On-balance sheet exposures	Principal Amount $m	Risk Weight %	Risk Weighted $m
Cash and short term claims on Government	1,810	0	-
Long term claims on Government	623	10	62
Claims on banks	5,821	20	1,164
Claims on public sector entities	345	20	69
Residential mortgages	38,402	50	19,201
Other	34,273	100	34,273
Total on-balance sheet exposures	81,274		54,769

Off-balance sheet exposures	Principal Amount $m	Credit Conversion Factor %	Credit Equivalent Amount $m	Average Risk Weight %	Risk Weighted $m
Direct credit substitutes	1,623	100	1,623	44	721
Commitments with certain drawdown	1,120	100	1,120	65	726
Transaction related contingent liabilities	306	50	153	100	153
Short term self liquidating trade related contingencies	236	20	47	89	42
Other commitments to provide financial services which have an original maturity of one year or more	1,339	50	669	100	669
Other commitments with an original maturity less than one year or which can be unconditionally cancelled at any time	16,295	0	-	100	-
Market related contracts[1]					
– Foreign exchange	59,391		2,082	26	547
– Interest rate	150,492		1,104	24	263
– Equity	39		15	20	3
Total off-balance sheet exposures	230,841		6,813		3,124

[1] The credit equivalent amounts for market related contracts are calculated using the current exposure method.

45. CAPITAL ADEQUACY (continued)

Total Risk Weighted Exposures of the Parent Bank as at 30 September 2005:

On-balance sheet exposures	Principal Amount $m	Risk Weight %	Risk Weighted $m
Cash and short term claims on Government	1,509	0	-
Long term claims on Government	623	10	62
Claims on banks	4,450	20	890
Claims on public sector entities	345	20	69
Residential mortgages	38,370	50	19,185
Other	32,547	100	32,547
Total on-balance sheet exposures	77,844		52,753

Off-balance sheet exposures	Principal Amount $m	Credit Conversion Factor %	Credit Equivalent Amount $m	Average Risk Weight %	Risk Weighted $m
Direct credit substitutes	1,623	100	1,623	44	721
Commitments with certain drawdown	1,085	100	1,085	64	690
Transaction related contingent liabilities	306	50	153	100	153
Short term self liquidating trade related contingencies	229	20	46	91	42
Other commitments to provide financial services which have an original maturity of one year or more	1,339	50	669	100	669
Other commitments with an original maturity less than one year or which can be unconditionally cancelled at any time	15,825	0	-	100	-
Market related contracts[1]					
– Foreign exchange	59,385		2,082	26	547
– Interest rate	149,456		1,102	24	262
– Equity	39		15	20	3
Total off-balance sheet exposures	229,287		6,775		3,087

[1] The credit equivalent amounts for market related contracts are calculated using the current exposure method.

46. PARENT COMPANY

The Parent Company is ANZ Holdings (New Zealand) Limited which is incorporated in New Zealand. The Ultimate Parent Company is Australia and New Zealand Banking Group Limited which is incorporated in Australia.

The Ultimate Parent Company is required to hold minimum capital at least equal to that specified under the Basel framework. The capital adequacy ratios are:

	30/09/2005	30/09/2004
Tier 1 Capital	6.9%	6.9%
Capital	10.5%	10.4%

The Ultimate Parent Company meets those requirements imposed on it by its home supervisor as at 30 September 2005 whereby banks must maintain a ratio of qualifying capital to risk weighted assets of at least 8 per cent.

DIRECTORS' STATEMENT for the year ended 30 September 2005

Directors' Statement

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director believes that:

i. The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2005;

ii. The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2005, after due enquiry, each Director believes that:

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

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

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

This General Disclosure Statement is dated, and has been signed by all Directors of the Bank on, 21 November 2005. On that date, the Directors of the Bank were:

Dr R S Deane

Sir John Anderson, KBE

Dr R J Edgar

N M T Geary, CBE

G K Hodges

J McFarlane, OBE

R A McLeod

P R Marriott

Sir Dryden Spring

AUDIT REPORT for the year ended 30 September 2005

To the shareholder of ANZ National Bank Limited

We have audited the financial statements including supplementary information on pages 10 to 64. The financial statements and supplementary information provide information about the past financial performance and financial position of ANZ National Bank Limited (the "Registered Bank") and its subsidiary companies (the "Banking Group") as at 30 September 2005. The supplementary information is disclosed in accordance with clauses 12(3), 12(4), 14A and 14B of the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2005 (the "Order"). This information is stated in accordance with the accounting policies set out on pages 15 to 19.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 September 2005 and the results of their operations and cash flows for the year ended on that date.

They are also responsible for the preparation of supplementary information which:

- gives a true and fair view, in accordance with clause 12(3) of the Order, of the matters to which it relates; and
- complies with Schedules 7 and 8, in accordance with clause 12(4) of the Order.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements and supplementary information presented by the Directors and report our opinion to you in accordance with clause 15(1) of the Order.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and supplementary information. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements and supplementary information; and
- whether the accounting policies are appropriate to the Registered Bank's and Banking Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements and supplementary information are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and supplementary information.

Our firm has also provided other services to the Registered Bank and Banking Group in relation to other audit related services. Partners and employees of our firm may also deal with the Registered Bank and Banking Group on normal terms within the ordinary course of trading activities of the business of the Registered Bank and Banking Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the Registered Bank and Banking Group. These matters have not impaired our independence as auditors of the Registered Bank and Banking Group. The firm has no other relationship with, or interest in, the Registered Bank and Banking Group.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Registered Bank and Banking Group as far as appears from our examination of those records;
- the financial statements on pages 10 to 64:
  - comply with New Zealand generally accepted accounting practice; and
  - give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 September 2005 and the results of their operations and cash flows for the year ended on that date;
- the supplementary information disclosed in accordance with clauses 12(3) of the Order:

- has been prepared in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank Act 1989 and any conditions of registration;
- is in accordance with the books and records of the Registered Bank and Banking Group; and
- gives a true and fair view of the matters to which it relates;

• the supplementary information disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 21 November 2005 and our unqualified opinion is expressed as at that date.

KPMG

Wellington